



Federal Aviation
Administration



CITIZENS' REPORT

THE FY 2008 SUMMARY OF PERFORMANCE AND FINANCIAL RESULTS



Committed to Safety



In 1958, number of all-jet airliners in U.S. service (on August 23): 0.
In 2008, estimated number of jet airliners in the U.S. fleet: 4,032.

Credit: Jon Ross, FAA Image Library

Our Mission

Our mission is to provide the safest, most efficient aerospace system in the world.

Our Vision

Our vision is to improve continuously the safety and efficiency of aviation, while being responsive to our customers and accountable to the public.

Our Values

Safety is our passion. We're world leaders in aerospace safety.

Quality is our trademark. We serve our country, our customers, and each other.

Integrity is our character. We do the right thing, even if no one is looking.

People are our strength. We treat each other as we want to be treated.

FY 2008 CITIZENS' REPORT

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ABOUT THIS REPORT

The Federal Aviation Administration's *FY 2008 Citizens' Report* is a summary of our more detailed Performance and Accountability Report (PAR). As an agency within the Department of Transportation (DOT), the FAA is not required to prepare a separate PAR or Citizens' Report. However, to demonstrate accountability, we choose to present our performance, management, and financial information using the same statutory and guidance framework. In some cases, however, we may depart from the format required of Chief Financial Officers Act agencies.

This report and reports from prior years are available on the FAA website at www.faa.gov/about/plans_reports/.

FAA AT A GLANCE

Established	1958
Headquarters	800 Independence Avenue, SW Washington, DC 20591 www.faa.gov
FY 2008 Budget (enacted)	\$14.915 billion
Total Employees	46,521
Headquarters	6,008 employees
Regional and Field Offices	35,918 employees
Technical Center <i>Atlantic City, NJ</i>	1,063 employees
Aeronautical Center <i>Oklahoma City, OK</i>	3,532 employees
FY 2008 Passengers on U.S. Carriers	768.3 million (estimate)
FY 2008 Tower Operations	58.6 million arrivals and departures (estimate)



Robert A. Sturgell
Acting Administrator

MESSAGE FROM THE ADMINISTRATOR

The Federal Aviation Act of 1958 set safety as its cornerstone. We have kept safety as our top priority for 50 years. At a time when we've never had more planes and passengers in the air, this is the safest period in aviation history.

Over the next few years, we expect international markets to grow twice as fast as domestic markets, trends for more and larger regional jets with more than 50 seats, and increased corporate aviation.

To keep up with the push for safety and demand for increased capacity, we're deploying more state-of-the-art technology at a faster rate than ever before. The transition from ground-tethered air traffic control to a newer, satellite-based system is well under way. The building blocks for the Next Generation Air Transportation System (NextGen) are being put in place with each day.

In FY 2008, we continued to meet our demands with an unprecedented safety record. Still, some of our biggest challenges are on the horizon, and we are strategically preparing to address them.

- **Maintain Safety Record.** Our safety record indicates that we have addressed every predictable risk factor that has caused accidents or incidents. Our challenge now is to identify any remaining risks and eliminate, minimize, or manage them.
- **Baby Boomer Retirement.** The transformation of our airspace comes at a very precarious time. In addition to air traffic controllers, Baby Boomers throughout our organization are retiring. As our workforce turns over, we must develop the competencies necessary in our employees to implement the complex technology and new processes that are inherent in NextGen.
- **Keep NextGen on Time and on Budget.** To safely and efficiently handle dramatic increases in the number and type of aircraft using our skies without being overwhelmed by congestion, we must fully fund NextGen and keep deployment of its components on schedule.

Our *FY 2008 Citizens' Report* provides highlights of our performance and financial management to both the flying public and the aviation industry. Our strategic plan—the *Flight Plan*—focuses our performance on the top 29 agency targets that position us to meet the future successfully. We achieved 26 out of the 29 goals listed in the *Flight Plan*.

We are proud to have received an unqualified opinion with no material weaknesses from our auditors on our FY 2008 financial statements. We issued an unqualified statement of assurance and can state that the financial data are reliable and complete.

Since our inception 50 years ago, our mission has remained clear—to provide the safest, most efficient aerospace system in the world. We also recognize that to be good stewards of the money entrusted to us by Congress, we must be efficient and provide an exceptional return on investment for the American taxpayer. Thanks to the 46,521 people of the FAA, we are doing just that.

A handwritten signature in black ink, appearing to read "Robert A. Sturgell".

Robert A. Sturgell
Acting Administrator
November 4, 2008

FAA—50 YEARS OF EXCELLENCE

2008 marks the FAA's 50th anniversary. While the cornerstone of the Federal Government's regulation of civil aviation began with the Air Commerce Act of May 20, 1926, it was not until 1958, with the approaching introduction of jet airliners and after a series of midair collisions, that President Dwight D. Eisenhower signed the legislation to create the FAA.

The following timeline highlights the most significant events in the agency's 50-year history.

1958 The Birth of FAA

- The Federal Aviation Act of 1958 creates the Federal Aviation Agency. The legislation gives the new agency authority to combat aviation hazards and responsibility for safety rulemaking and developing and maintaining a common civil-military system of air navigation and air traffic control.
- The first administrator, Elwood "Pete" Quesada, is appointed.

1960–1970 Changing Duties

- The hijacking epidemic of the 1960s involves the agency in the field of aviation security.
- In 1968, Congress vests in FAA's Administrator the power to prescribe aircraft noise standards.
- The Airport and Airway Development Act of 1970 places the agency in charge of a new airport aid program funded by a special aviation trust fund. The same act makes FAA responsible for safety certification of airports served by air carriers.

1967 From Agency to Administration

- In 1966, Congress authorizes the creation of a cabinet department that would combine major Federal transportation responsibilities. This new Department of Transportation (DOT) begins full operations on April 1, 1967. On that day, the Federal Aviation Agency becomes one of several modal administrations within DOT and receives a new name—Federal Aviation Administration.

1970s Air Traffic Controller Automation

- By the mid-1970s, FAA achieves a semi-automated air traffic control system based on a marriage of radar and computer technology. By automating certain routine tasks, the system allows controllers to concentrate more efficiently on the vital task of providing separation of aircraft. Data appearing directly on the controllers' scopes provide the identity, altitude, and groundspeed of aircraft carrying radar beacons.

1982 Introduction of the National Airspace System Plan

- To meet the challenge of traffic growth, due in part to the competitive environment created by the Airline Deregulation Act of 1978, FAA unveils the National Airspace System (NAS) Plan in January 1982. The new plan calls for more advanced systems for en route and terminal Air Traffic Control, modernized flight service stations, and improvements in ground-to-air surveillance and communication.

1970–1984 The PATCO Strikes

- While preparing the NAS Plan, FAA faces a strike by key members of its workforce. An earlier period of discord between management and the Professional Air Traffic Controllers Organization (PATCO) culminates in a 1970 "sickout" by 3,000 controllers.
- Although controllers gain additional wage and retirement benefits subsequent to the first strike, another period of tension leads to an illegal strike in August 1981. The Government dismisses over 11,000 strike participants and decertifies PATCO.
- By the spring of 1984, FAA ends the last of the special restrictions imposed to keep the airspace system operating safely during the strike.

1958–2001 Ongoing Structural Changes

- In 1961, FAA begins a decentralization process that transfers much authority to regional organizations rather than the centralized operation favored by the first Administrator.
- In 1987, Washington National and Dulles International Airports pass from FAA's management to that of an authority representing multiple jurisdictions.
- In 1988, "straightlining" gives managers at national headquarters more direction of field activities.
- In November 1994, a reorganization structures FAA along its six key lines of business to make better use of resources.

- In 1995, a seventh line of business is added when the Office of Commercial Space Transportation is transferred to FAA from the Office of the Secretary of Transportation (OST). The addition of this office gives the agency regulatory responsibilities concerning the launching of space payloads by the private sector.
- Reform legislation gives FAA increased flexibility regarding acquisition and personnel policies in 1996.
- Further legislation in 2000 prompts action to establish a new performance-based organization with responsibility for air traffic services within the agency.
- In the aftermath of the terrorist attacks of September 11, 2001, Congress creates a new Transportation Security Administration that relieves FAA of primary responsibility for civil aviation security.

1988–Present Technology for the Future

- The Aviation Safety Research Act of 1988 mandates greater emphasis on long-range research planning and on study of such issues as aging aircraft structures and human factors affecting safety.
- In February 1991, FAA replaces the NAS Plan with the more comprehensive Capital Investment Plan. The new plan includes higher levels of automation as well as new radar, communications, and weather forecasting systems.
- As the modernization program evolves, problems in developing ambitious automation systems prompt a change in strategy. FAA shifts its emphasis toward enhancing the air traffic control system through more manageable, step-by-step improvements. At the same time, the agency works to speed the application of the Global Positioning System satellite technology to civil aeronautics and introduces NextGen, a wide ranging transformation of the entire national air transportation system to meet future demands and avoid gridlock in the sky and in the airports.

A full history of the FAA can be found at www.faa.gov/about/history/chronolog_history/.



**In 1958, about 49 million passengers boarded airplanes.
In 2008, 768 million are expected.**

Credit: Corbis

MANAGEMENT'S DISCUSSION AND ANALYSIS

FAA ORGANIZATION

The mission of the FAA, an agency of the U.S. DOT, is to provide the safest, most efficient aerospace system in the world. The FAA provides air traffic control services, establishes and enforces regulations, and oversees inspections that maintain the integrity and reliability of that system, which has fueled our economy and helped ensure our nation's prosperity for 50 years.

We operate 24 hours a day, 7 days a week, 365 days a year. We have a system composed of more than 67,000 facilities and pieces of equipment with FAA-operated or contract towers at almost 500 airports, and we are responsible for inspecting and certifying about 233,500 aircraft and 590,000 pilots. With almost 6,700 takeoffs and landings per hour, and more than 765 million passengers and 40 billion cargo revenue ton miles of freight a year, we safely guide approximately 60,000 flights through the world's preeminent NAS every day.

From 1926, when President Calvin Coolidge initiated Federal oversight of air safety in the United States by signing the Air Commerce Act, to the creation of the Federal Aviation Agency in 1958, to our modern-day incarnation, the FAA and the aviation community have grown and worked together. We have shaped an industry that—like shipping and rail before it—conquered distance in a new way, lowered transportation costs, and created new opportunities that transformed the commercial landscape.

Today's FAA faces the challenge of expanding the capacity of our aviation system to meet future demand without compromising safety or harming our environment. With aviation and related industries supporting 11 million jobs and contributing \$640 billion to our annual economy, our success is critical. Our workforce of over 46,500 professionals operates and maintains the most complex air traffic control system in the world with an annual budget of approximately \$14.9 billion. More than half of the world's air traffic is managed by over 15,000 controllers, who ensure ever-increasing levels of safety. We conduct research to improve aviation safety and efficiency and provide grants to improve 3,354 eligible public-use airports in the United States. We also regulate commercial space launch activities to ensure public safety.

As we celebrate our 50th year, we have many accomplishments to be proud of and many challenges to face. We highlight the most significant in this report.

MANAGEMENT CHALLENGES

In November 2007, the DOT Office of Inspector General (OIG) identified five management challenges facing FAA in the coming years. A summary of FAA's actions toward resolving each of the challenges follows. A detailed discussion appears in FAA's FY 2008 Performance and Accountability Report.

Operating, Maintaining, and Modernizing the National Airspace System. The FAA developed a plan to hire and train enough air traffic controllers to address the surge in retirements over the next decade; took steps to acquire the necessary expertise to make NextGen a reality; spent more than \$300 million for the repair, modernization, and replacement of its air traffic control facilities; and continued to standardize and improve its processes for monitoring and accounting for capital investment projects.

Reducing Congestion in America's Transportation System. NextGen is the long-term answer to reduce congestion in the NAS. To address airspace congestion and flight delays in the New York metro area, FAA and DOT implemented a number of initiatives to secure flight schedule reductions and the re-timing of peak period flights. We are also redesigning airspace in the region to improve traffic flow and continue to pursue and build new airfield infrastructure.

Continuing to Make a Safe Aviation System Safer. In FY 2008, the FAA completed nearly 100 short-term initiatives to improve runway safety. These included increased training for airport and airline personnel and enhancing airport markings, lighting, and signage. We also focused on the development and implementation of the Traffic Analysis and Review Program (TARP), an automated software prototype that depicts air traffic control separation conformance in the terminal environment. We also developed a plan to ensure that FAA has adequate safety staff to address oversight needs, inspector attrition, and anticipated changes in the aviation industry; and we enhanced the oversight and training of Aviation Medical Examiners who examine and evaluate airmen to determine whether they meet required airman medical standards.

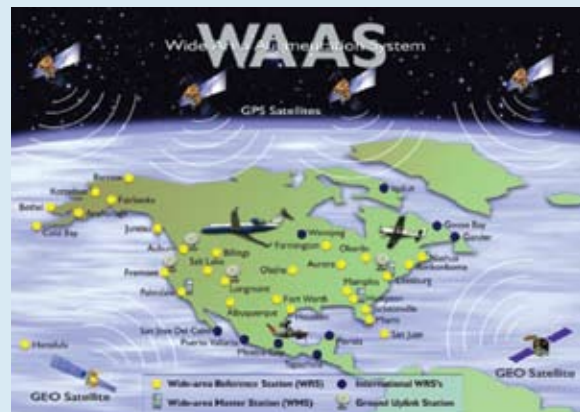
Strengthening the Protection of Information Technology Resources, Including the Critical Air Traffic Control System. The FAA enhanced air traffic control system security and continuity planning by working to resolve technical and resource concerns involved in a recovery plan, conducting Business Continuity Plan tests and demonstrations, identifying and addressing resource concerns following the completion of each test and demonstration, and identifying and testing for unauthorized software changes in field air traffic control systems.

Managing Acquisition and Contract Operations More Effectively to Obtain Quality Goods and Services at Reasonable Prices. The FAA established a departmental plan for ensuring incurred-cost audits are obtained and audit report recommendations are resolved in a timely manner and continued its integrated and comprehensive approach to developing and delivering procurement ethics training.

WAAS EXPANDED INTO CANADA AND MEXICO

The FAA has taken a major step forward on the path to NextGen by expanding the Wide Area Augmentation System (WAAS) coverage into Canada and Mexico. WAAS improves the accuracy and integrity of GPS satellite signals and provides highly precise approaches that can be used regardless of the weather. This expansion brought nine new international wide-area reference stations online. As a result, users in Canada and Mexico will be able to land safely in difficult weather conditions.

WAAS also offers potential savings in fuel and operational costs. The WAAS infrastructure—which requires no navigation equipment at an airport—provides service that exceeds what is currently provided over 3,000 legacy facilities.



The use of WAAS-type navigation is spreading across the country and around the world.

Credit: FAA Image Library

WAAS works by having a network of ground reference stations collecting GPS satellite data. These data are sent through ground communications lines to master stations that calculate corrections to make the data more accurate and ensure its integrity. The correction data are broadcast to user aircraft through two or more geostationary satellite communications links. The aircraft use the WAAS signal, in addition to the GPS service, to fly area navigation and Localizer Performance with Vertical (LPV) instrument approaches, equivalent to the legacy Instrument Landing System (ILS).

The evolution of WAAS reached a milestone in September when the number of runways served by its procedures surpassed the number of runways served by ILS equipment. FAA has developed more than 1,000 WAAS approach procedures since the system was commissioned, and the expansion won't stop there. The FAA is developing hundreds of new WAAS procedures each year until every qualified runway in the NAS has one.

—Adapted from an article appearing in FocusFAA, FAA's employee news service.



In 1958, U.S domestic passenger and cargo planes used 1.3 billion gallons of fuel.
In 2008, the domestic passenger and cargo fleet is expected to use 13.7 billion gallons.

Credit: Corbis

PERFORMANCE HIGHLIGHTS

MEASURING PERFORMANCE

The FAA is charged with promoting the safety and efficiency of the nation's aviation system. With broad authority to enforce safety regulations and conduct oversight of the civil aviation industry, we maintain the system's integrity and reliability. A strategic plan, annual business plans, human capital plans, and the annual PAR create a recurring cycle of planning, program execution, measurement, verification, and reporting. This strong link between resources and performance highlights our accomplishments and reinforces accountability for the way we spend taxpayer money.

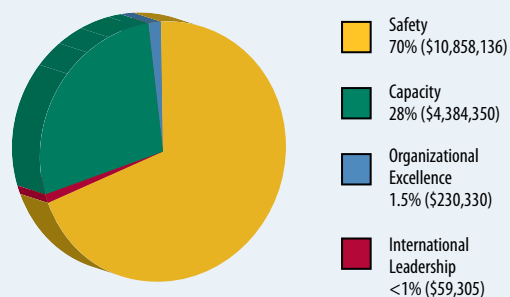
This year, FAA had 29 performance measures in its *Flight Plan* that focused efforts on our four main strategic goals of Safety, Capacity, International Leadership, and Organizational Excellence. FAA met 26 of these 29 performance measures. The performance charts for each strategic goal, located in the Performance Results section of this report, provide a snapshot of our results. Details on current and past performance results can be found in the PAR at www.faa.gov/about/plans_reports.

The alignment of the FAA's costs with its four strategic goal areas is captured in the accompanying chart, which shows over \$10.8 billion, or about 70% of the FAA's total net cost of more than \$15.5 billion for FY 2008, was devoted to our primary goal, ensuring the safety of the NAS. The

Air Traffic Organization (ATO) spent nearly \$7.7 billion, largely to maintain the safe separation of aircraft in the air and on the ground. Airports (ARP) directed nearly \$2 billion to establishing safe airport infrastructure. Aviation Safety (AVS) spent slightly more than \$1.1 billion on its programs to regulate and certify aircraft, pilots, and airlines, directly supporting the safety of commercial and general aviation. Commercial Space Transportation (AST), the FAA staff offices, and other programs spent the remaining total—just under \$78 million—to further support the agency's safety mission.

NET COSTS BY STRATEGIC GOAL AREA

as of September 30, 2008
(Dollars in Thousands)



Approximately \$4.4 billion, or 28% of total net costs, was assigned to support the FAA's goal of expanding the capacity of the NAS, particularly through its pursuit of programs contributing to the NextGen initiative. ATO spent about \$2.6 billion, largely to finance its facilities and equipment projects. ARP spent nearly \$1.8 billion to enhance the capacity of the country's airports through runway projects and other efforts. AST directed

almost \$2.1 million to its efforts to expand capacity and AVS contributed approximately \$1.3 million. The bulk of the FAA's remaining net costs, just over \$230 million, supported its Organizational Excellence goal, to which nearly all the lines of business and staff offices contributed. The FAA committed the remainder, slightly over \$59.3 million, to promoting its International Leadership goal.

FEDERAL AVIATION ADMINISTRATION FY 2008 STRATEGIC GOAL FRAMEWORK

The FAA's Strategic Goal Framework identifies the FAA's FY 2008 goals, strategic priorities, and primary organizations responsible for achieving these goals. It is derived from our strategic planning process, which helps us determine our future direction and articulates the solutions necessary to get there. From this, we focus our

resources and set our performance goals. We recognize that as technology, aviation, and the world around us continue to change and advance, we must adapt. Therefore, we may modify this framework over time to ensure we are able to address the most pressing needs.

Strategic Goal	Strategic Objective	Primary Contributing Organization(s)
Increased Safety	Reduce commercial air carrier fatalities.	Aviation Safety, Air Traffic Organization
	Reduce the number of fatal accidents in general aviation.	Aviation Safety, Air Traffic Organization
	Reduce the risk of runway incursions.	Air Traffic Organization
	Ensure the safety of commercial space launches.	Commercial Space Transportation
	Enhance the safety of FAA's air traffic systems.	Air Traffic Organization
	Implement a Safety Management System for the FAA.	Aviation Safety, Air Traffic Organization, Airports
Greater Capacity	Increase capacity to meet projected demand and reduce congestion.	Air Traffic Organization, Airports
	Increase reliability and on-time performance of scheduled carriers.	Air Traffic Organization
	Address environmental issues associated with capacity enhancements.	Aviation Policy, Planning and Environment, Airports
International Leadership	Promote improved safety and regulatory oversight in cooperation with bilateral, regional, and multilateral aviation partners.	International Aviation, Aviation Safety
	Promote seamless operations around the globe in cooperation with bilateral, regional, and multilateral aviation partners.	Air Traffic Organization, International Aviation
Organizational Excellence	Make the organization more effective with stronger leadership, increased commitment of individual workers to fulfill organization-wide goals, and a better prepared, better trained, safer, diverse workforce.	Human Resource Management, Air Traffic Organization
	Improve financial management while delivering quality customer service.	Financial Services, Air Traffic Organization
	Make decisions based on reliable data to improve our overall performance and customer satisfaction.	Air Traffic Organization, Aviation Safety, Airports, Aviation Policy, Planning and Environment, Communications, Information Services
	Enhance our ability to respond rapidly and effectively to crises including security-related threats and natural disasters.	Security and Hazardous Materials, Air Traffic Organization

FY 2008 PERFORMANCE RESULTS

Safety

Safety is not only a top priority; it is also an economic necessity. People will fly only if they feel safe. They must trust the system and that trust must be earned. In FY 2008, we introduced a new safety performance metric and target for commercial air carriers. We believe the new Commercial Air Carrier Fatalities per 100 Million Persons

On-Board metric is more relevant than the previous one, Commercial Air Carrier Fatal Accident Rate, because it measures the individual risk to the flying public rather than for each departure. We achieved five of seven safety goals, missing our targets for reducing accidents in Alaska and limiting Operational Errors.

FY 2008 SAFETY PERFORMANCE MEASURES AND RESULTS					
Performance Measure	Past Results	FY 2008 Target	FY 2008 Results	FY 2008 Status	FY 2009 Target ¹
Commercial Air Carrier Fatality Rate Cut the rate of fatalities per 100 million persons on board in half by FY 2025.	N/A ²	8.7	0.4 ³	●	8.4
General Aviation Fatal Accidents By FY 2009, reduce the number of general aviation and nonscheduled Part 135 fatal accidents from the 1996–1998 average of 385 per year to no more than 319 accidents per year. This measure will be converted from a number to a rate in FY 2009. The targets for FY 2009–2012 are under development.	FY 07 ● FY 06 ● FY 05 ▲ FY 04 ● FY 03 ●	325	299 ³	●	319
Alaska Accidents⁴ By FY 2009, reduce accidents in Alaska for general aviation and all Part 135 operations from the 2000–2002 average of 130 accidents per year to no more than 99 accidents per year. This measure will be converted from a number to a rate after FY 2009. The targets for FY 2010–2012 are under development.	FY 07 ● FY 06 ● FY 05 ▲ FY 04 ●	104	108 ³	▲	99
Runway Incursions By FY 2010, limit Category A and B (most serious) runway incursions to a rate of no more than 0.450 per million operations and maintain or improve through FY 2012.	FY 07 ● FY 06 ● FY 05 ●	0.509	0.428 ⁵	●	0.472
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.	FY 07 ● FY 06 ● FY 05 ● FY 04 ●	0	0	●	0
Operational Errors Limit Category A and B (most serious) operational errors to a rate of no more than 1.95 per million activities by FY 2012.	N/A ²	2.15	2.31 ⁵	▲	2.10
Safety Management System By FY 2010, implement SMS in the Air Traffic Organization, Office of Aviation Safety, and Office of Airports. By FY 2012, implement SMS policy in all appropriate FAA organizations.	N/A ²	6	6	●	7

¹ FY 2009 targets are from the FY 2008–2012 *Flight Plan*.

² Measure redefined in FY08. No trend data available.

³ Preliminary estimate until March 2010.

⁴ This measure includes both fatal and nonfatal accidents.

⁵ Preliminary estimate until January 2009.

● Goal Achieved

▲ Goal Not Achieved

Capacity

Capacity is the backbone of air travel. Aviation can grow only if capacity grows. We aim to achieve increases in capacity in an environmentally sound manner. In FY 2008, we achieved six out of seven capacity goals and significantly exceeded our target for aviation noise

exposure. We did not achieve our NAS On-Time Arrivals performance target due largely to adverse weather conditions, which played a significant part in increasing weather-related airport delays.

FY 2008 CAPACITY PERFORMANCE MEASURES AND RESULTS

Performance Measure	Past Results	FY 2008 Target	FY 2008 Results	FY 2008 Status	FY 2009 Target ¹
Average Daily Airport Capacity [35 Operational Evolution Partnership (OEP) airports] Achieve an average daily airport capacity for the 35 OEP airports of 104,338 arrivals and departures per day by FY 2011 and maintain through FY 2012.	FY 07 ● FY 06 ● FY 05 ●	101,868	103,218 ³	●	103,328
Average Daily Airport Capacity (7 metropolitan areas) Achieve an average daily airport capacity for the seven major metropolitan areas of 39,484 arrivals and departures per day by FY 2009 and maintain through FY 2012.	N/A ²	33,676	35,988 ³	●	39,484
Annual Service Volume Commission nine new runway/taxiway projects, increasing the annual service volume of the 35 OEP airports by at least 1% annually, measured as a 5-year moving average, through FY 2012.	FY 07 ● FY 06 ● FY 05 ● FY 04 ●	1.00% (1 taxiway project)	1.06% (1 taxiway project)	●	1.00% (3 runway projects)
Adjusted Operational Availability (35 OEP airports) Sustain adjusted operational availability of 99.7% for the reportable facilities that support the 35 OEP airports through FY 2012.	FY 07 ● FY 06 ● FY 05 ● FY 04 ●	99.70%	99.82% ³	●	99.70%
NAS On-Time Arrivals Achieve a NAS on-time arrival rate of 88.76% at the 35 OEP airports by FY 2011 and maintain through FY 2012.	FY 07 ▲ FY 06 ● FY 05 ●	88.00%	87.29% ³	▲	88.22%
Noise Exposure Reduce the number of people exposed to significant noise by 4% each year through FY 2012, as measured by a 3-year moving average, from the 3-year average for calendar years 2000–2002.	FY 07 ● FY 06 ● FY 05 ● FY 04 ● FY 03 ●	–12.00%	–38.00% ⁴	●	–16.00%
Aviation Fuel Efficiency Improve aviation fuel efficiency by another 1% over the FY 2007 level (for a total of 6%) through FY 2008, and 1% each subsequent year through FY 2012 to 10%, as measured by a 3-year moving average of the fuel burned per revenue mile flown, from the 3-year average for calendar years 2000–2002.	FY 07 ● FY 06 ● FY 05 ● FY 04 ●	–6.00%	–10.17%	●	–7.00%

¹ FY 2009 targets are from the FY 2008–2012 *Flight Plan*.

² Measure redefined in FY08. No trend data available.

³ Preliminary estimate until January 2009.

⁴ Projection from trends until May 2009.

● Goal Achieved

▲ Goal Not Achieved

International Leadership

The FAA's goal is to make the international aviation system as safe and efficient as the one enjoyed in

the United States. In FY 2008, we achieved all four international leadership goals.

FY 2008 INTERNATIONAL LEADERSHIP PERFORMANCE MEASURES AND RESULTS					
Performance Measure	Past Results	FY 2008 Target	FY 2008 Results	FY 2008 Status	FY 2009 Target ¹
Aviation Safety Leadership Work with the Chinese aviation authorities and industry to adopt 27 proven Commercial Aviation Safety Team (CAST) safety enhancements (SEs) by FY 2011. This supports China's efforts to reduce fatal accidents to a rate of 0.030 fatal accidents per 100,000 departures by FY 2012.	FY 07 ● FY 06 ● FY 05 ●	5 CAST SEs	5 CAST SEs	●	5 CAST SEs
Bilateral Aviation Safety Agreements (BASAs) Conclude at least eight (new or expanded) bilateral safety agreements that will facilitate an increase in the ability to exchange aviation products and services by FY 2012.	FY 07 ● FY 06 ● FY 05 ● FY 04 ●	2	4	●	1
External Funding Secure a yearly increase in international aviation development funding to strengthen the global aviation infrastructure. Increase the FY 2007 external funding baseline target of \$12 million in \$3 million increments for an FY 2012 target of \$27 million.	FY 07 ● FY 06 ● FY 05 ● FY 04 ●	\$15.00 M	\$16.70 M	●	\$ 18.00 M
NextGen Technologies By FY 2012, expand the use of the NextGen performance-based systems to five priority countries.	FY 07 ● FY 06 ●	1	2	●	1

¹ FY 2009 targets are from the FY 2008–2012 *Flight Plan*.
 ● Goal Achieved

Organizational Excellence

FAA employees are our most valuable resource. Together, we operate the largest and safest aerospace system in the world. To do this efficiently, we must continually provide stronger leadership, a better-trained and safer workforce, enhanced cost-control measures, and improved decision making. In FY 2008, we achieved

all 11 of our Organizational Excellence goals and significantly exceeded our target for Grievance Processing Time. Additionally, we revised the customer satisfaction measure to reflect a broader base of the customers we serve.

FY 2008 ORGANIZATIONAL EXCELLENCE PERFORMANCE MEASURES AND RESULTS					
Performance Measure	Past Results	FY 2008 Target	FY 2008 Results	FY 2008 Status	FY 2009 Target ¹
STRATEGIC MANAGEMENT OF HUMAN CAPITAL					
OPM Hiring Standard By FY 2010, 70% of FAA external hires will be filled within OPM's 45-day standard for government-wide hiring.	N/A ³	50.00%	79.00%	●	60.00%
Reduce Workplace Injuries Reduce the total workplace injury and illness case rate to no more than 2.44 per 100 employees by the end of FY 2011 and maintain through FY 2012.	FY 07 ● FY 06 ●	2.68 per 100	2.25 per 100 ²	●	2.60 per 100

FY 2008 ORGANIZATIONAL EXCELLENCE PERFORMANCE MEASURES AND RESULTS					
Performance Measure	Past Results	FY 2008 Target	FY 2008 Results	FY 2008 Status	FY 2009 Target ¹
Grievance Processing Time Reduce grievance processing time by 30% (to an average of 102 days) by FY 2010 over the FY 2006 baseline of 146 days and maintain the reduction through FY 2012.	FY 07 ● FY 06 ●	-15.00%	-63.69%	●	-20.00%
Air Traffic Controller Workforce Plan Maintain the air traffic control workforce at or above the projected annual totals in the Air Traffic Controller Workforce Plan.	FY 07 ● FY 06 ●	0% to 2% over Plan	1.66% over Plan	●	0% to 2% over Plan
IMPROVED FINANCIAL PERFORMANCE					
Cost Reimbursable Contracts Increase cost reimbursable contract closeouts by 1% per year, from 86% in FY 2008 to 90% in FY 2012.	FY 07 ● FY 06 ● FY 05 ● FY 04 ▲	86.00%	91.67%	●	87.00%
Cost Control Organizations throughout the agency will continue to implement cost efficiency initiatives such as 10–15% savings for strategic sourcing for selected products and services; by the end of FY 2009, reduce leased space for Automated Flight Service Stations from approximately 510,000 square feet to approximately 150,000 square feet; attain 3% reduction in help desk operating costs through consolidations; and achieve annual reduction of \$15 million in Information Technology operating costs.	FY 07 ● FY 06 ● FY 05 ● FY 04 ●	1 activity and savings	1 activity and savings	●	1 activity and savings
Clean Audit With No Material Weaknesses Obtain an unqualified opinion on the agency's financial statements (Clean Audit With No Material Weaknesses) each fiscal year.	FY 07 ▲ FY 06 ▲	Clean Audit w/NMW	Clean Audit w/NMW	●	Clean Audit w/NMW
ACQUISITION MANAGEMENT					
Critical Acquisitions on Budget In FY 2008, 90% of major system acquisition investments are within 10% of annual budget and maintain through FY 2012.	FY 07 ● FY 06 ● FY 05 ● FY 04 ●	90.00%	96.08%	●	90.00%
Critical Acquisitions on Schedule In FY 2008, 90% of major system acquisition investments are on schedule and maintain through FY 2012.	FY 07 ● FY 06 ● FY 05 ● FY 04 ●	90.00%	93.88%	●	90.00%
CUSTOMER SATISFACTION AND OPERATIONAL CAPABILITY					
Customer Satisfaction Maintain the annual average of FAA surveys on the American Consumer Satisfaction Index at or above the average Federal Regulatory Agency score in the previous fiscal year.	FY 07 ▲ FY 06 ● FY 05 ● FY 04 ●	60	60.24	●	TBD
Information Security Achieve zero cyber security events that disable or significantly degrade FAA services.	FY 07 ● FY 06 ● FY 05 ● FY 04 ●	0	0	●	0

TBD: To be determined

¹ FY 2009 targets are from the FY 2008–2012 *Flight Plan*.² Projection from trends. Final data available in November 2008.³ Measure redefined in FY08. No trend data available.

● Goal Achieved

▲ Goal Not Achieved



In 1958, there were 9 fatal commercial air accidents in the United States resulting in 145 fatalities.

Since 2006, there have been no fatalities among the more than 1.5 billion passengers who have flown during this time period.

Credit: Corbis



Ramesh K. Punwani

Assistant Administrator for Financial Services/
Chief Financial Officer

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I am proud of our many achievements this year to better execute and manage the budget resources that Congress provides. At the FAA, “acting more like a business” is not just a slogan. We continue to make every effort to control our operating costs. We are improving the discipline with which programs and contracts are first approved,

enhancing the tracking and monitoring of approved programs, and reducing our overhead costs so that more of the taxpayer dollars are spent on a safe, efficient, and accessible aviation system.

The following accomplishments of FY 2008 underscore our commitment to improve our financial management:

- We achieved an unqualified opinion on our FY 2008 financial statements with no material weaknesses.
- For the fourth time in 5 years, the Association of Government Accountants awarded us top honors for our 2007 Performance and Accountability Report. This is considered the highest form of recognition in Federal Government management reporting.
- The outsourcing of our flight service station function has saved \$278 million since its inception and will save \$2.1 billion through 2015.
- We created a capital investment team to review potential capital investments based upon financial and performance data. To date, business case reviews have identified \$460 million in lifecycle savings by restructuring or terminating 10 programs. We also have improved the tracking of spending on approved programs so that both cost and schedule performance are closely monitored using Earned Value Management methods.
- We are expecting to achieve \$9 million in savings annually—a savings of 10% to 15% from current costs—through the Strategic Sourcing for the Acquisition of Various Equipment and Supplies (SAVES) initiative. The initiative has been extended to cover wireless contracts as well as Enterprise License agreements with Oracle and Dell.

Our financial management transformation over the past 5 years has been steady and sure, but there is still a significant amount of work to do to maximize our efficiency. We are on track. Our aggressive strategies to improve performance and best practices from the corporate world are resulting in billions of saved dollars and avoided costs. Our incentive is simple: We know that every dollar saved can be used to make our aviation system safer.

A handwritten signature in dark ink, appearing to read 'R. Punwani', written in a cursive style.

Ramesh K. Punwani
Assistant Administrator for Financial Services/Chief Financial Officer
November 4, 2008



In 1958, there were 354,365 active pilots.
In 2008, there are 590,349 active pilots.

Credit: Corbis

FINANCIAL HIGHLIGHTS

Highlights of our FY 2008 financial performance appear on the pages that follow. For a more detailed discussion of FAA's financial statements and accompanying notes, see our *FY 2008 Performance and Accountability Report*, which is available on the FAA website at www.faa.gov/about/plan_reports/.

For FY 2008, the Airport and Airway Trust Fund (AATF) provided approximately 84.3% of the FAA's enacted budget. Created by the Airport and Airway Revenue Act of 1970, the AATF derives its monies from excise taxes and earned interest. It provides a stable source of revenue to finance investments in the airport and airway system. To the extent funds are available, the fund also covers the operating costs of the airway system. Aviation excise taxes, which include taxes on domestic passenger tickets, freight waybills, general and commercial aviation fuel, and international departures and arrivals, are deposited into the fund. The Department of the Treasury maintains the fund and invests its monies in Government securities, and interest earned is deposited into the fund. Monies are withdrawn as needed and transferred into each FAA appropriation to cover obligations.

The FAA is financed through annual and multiyear appropriations authorized by Congress. The FY 2008 enacted budget of \$14.915 billion was 2.6% higher than the FY 2007 enacted level. The Combined Statement of Budgetary Resources reflects funding enacted by the Consolidated Appropriations Act of 2008 (PL 110-161).

The FAA has four appropriations. The largest, Operations, is funded by both the Treasury's General Fund and the AATF. In FY 2008, the AATF provided over 73% of the revenue for Operations. The AATF is the sole revenue source for the FAA's three capital investment appropriations:

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

FAA's *Summarized Net Cost of Operations* is shown on page 21. For the fiscal years ending September 30, 2008 and 2007, FAA's net costs were \$15.5 billion and \$14.8 billion respectively. Net cost is total program cost less related earned revenue.

The *Composition of Net Cost* chart on page 16 illustrates the distribution of costs among FAA's lines of business.

The *Net Cost Comparison* chart on page 16 compares FY 2008 and FY 2007 net costs.

With a net cost of \$10.4 billion, the ATO is the FAA's largest line of business, comprising 67% of total net costs. ATO's net costs increased by \$744.7 million, on a comparative basis, primarily from increases in costs related to expensed assets of \$527.8 million, legal claims of \$89.0 million, and environmental clean-up and remediation of \$77.3 million.

Airports is the FAA's second largest line of business with a net cost of \$3.8 billion as of September 30, 2008, which is 24% of FAA's total net costs. Net costs decreased \$170.0 million

from the prior year and are composed mostly of Aviation Insurance Program grant disbursements.

The net cost of *Aviation Safety* represents 8% of FAA's total net costs, while *Regions and Center Operations and All Other* comprise 1% of total net costs. The net costs of *Regions and Center Operations* and *Aviation Safety* remained relatively constant compared to FY 2007.

FAA's *Summarized Assets, Liabilities, and Net Position* are also shown on page 21.

Total assets were \$27.4 billion as of September 30, 2008. FAA's assets are the resources available to pay liabilities or satisfy future service needs. The *Composition of Assets* chart on page 17 depicts major categories of assets as a percentage of total assets.

The *Assets Comparison* chart on page 17 presents comparisons of major asset balances as of September 30, 2008 and 2007.

At \$13.8 billion, *Property, Plant, and Equipment, net* (PP&E) represents 51% of the FAA's assets as of September 30, 2008, and is primarily composed of construction-in-progress related to the development of NAS assets, and capitalized real and personal property. There was a decrease of \$126.6 million in the total composition of PP&E as purchases of equipment and additions to construction-in-progress were offset through the normal course of business by retirements and depreciation.

At \$8.8 billion, *Investments* represent 32% of the FAA's current period assets and are principally derived from passenger ticket and other excise taxes deposited to the AATF. These amounts are used to finance the FAA's operations to the extent authorized by Congress. Investments decreased slightly, by \$58.0 million.

Fund Balance With Treasury (FBWT) represents 14% of the FAA's current period assets and consists of funding available through Department of Treasury accounts from which the FAA is authorized to make expenditures to pay liabilities. It also includes passenger ticket and other excise taxes deposited to the AATF, but not yet invested. FBWT remained constant at \$3.9 billion.

As of September 30, 2008, the FAA reported liabilities of \$4.0 billion. Liabilities are probable and measurable future outflows of resources arising from past transactions or events. The *Composition of Liabilities* chart on page 17 depicts the FAA's major categories of liabilities as a percentage of total liabilities.

The *Liabilities Comparison* chart on page 17 presents comparisons of major liability balances between September 30, 2007, and September 30, 2008. Following is a discussion of the major categories.

ASPIRING TO CLEANER FLYING



Credit: FAA Image Library

In September, the future of aviation got a breath of fresher air at San Francisco International Airport, in the form of an Airways New Zealand Boeing 777.

The plane landed in San Francisco where a group of reporters, gathered to witness and learn about the great potential of NextGen technologies, greeted the flight.

The Airways New Zealand flight demonstrated the positive effects of NextGen, especially its potential for helping commercial aviation reduce carbon emissions by millions of tons annually. The test flight between Auckland, New Zealand, and San Francisco

used a wide array of NextGen technologies and procedures. NextGen improves aviation efficiency in all phases of flight: taxiing, takeoff, en-route, and landings. In addition to reducing fuel consumption—thereby reducing emissions—it provides for dramatic declines in noise related to air transportation.

Fuel-saving actions were apparent at the start of the flight. The Boeing 777 was able to taxi to the runway without delay because of NextGen technology. The airplane experienced an unimpeded climb-out on departure, followed a preferred route for the oceanic phase of the flight, and employed reduced vertical separation minima. The flight also benefited from frequent airborne rerouting that helped it save fuel, as well as a tailored arrival approach and a no-delay taxi to the gate.

The flight was planned by ASPIRE, a partnership involving the FAA, Airways New Zealand, and Airservices Australia. The group works to make commercial air travel more environmentally sustainable.

—Adapted from an article appearing in *FocusFAA*, FAA's employee news service.

At \$1.4 billion, *Employee-Related and Other Liabilities* represent 36% of the FAA's total liabilities. These liabilities increased by \$173.2 million and as of September 30, 2008, are composed mainly of \$114.5 million in Advances Received, \$205.2 million in Federal Employee's Compensation Act payable, \$294.9 million in Accrued Payroll and Benefits, \$472.9 million in Accrued Leave and Benefits, \$109.4 million in Legal Claims Liability, and \$61.7 million in Capital Lease Liability.

At \$915.2 million, *Federal Employee and Veterans Benefits* represent 23% 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 (DOL) calculates the liability for DOT, and DOT attributes a proportionate amount to the FAA based on actual workers' compensation payments to FAA employees over the preceding 4 years. This liability is updated on an annual basis at year end.

Environmental Liabilities represent 16% of the FAA's total liabilities, \$637.8 million as of September 30, 2008, compared with \$566.9 million a year earlier. Environmental liabilities include a component for remediation of known contaminated sites and the estimated environmental cost to decommission assets presently in service. The increase of \$70.9 million is due primarily to the inclusion of the projected periodic costs

of overhauling the equipment at the William H. Hughes Technical Center's combined water treatment plant.

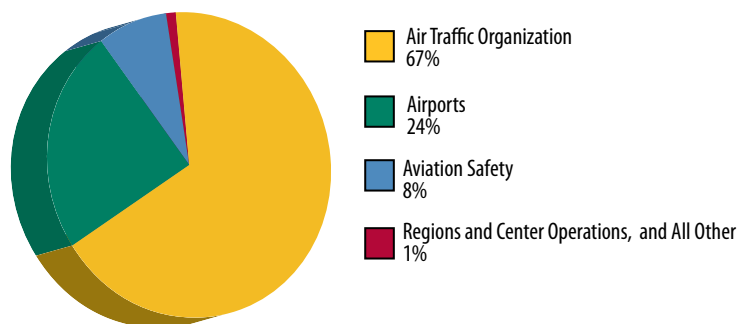
The FAA's *Grants Payable* are estimated amounts incurred but not yet claimed by AIP grant recipients and represent 16% of liabilities. *Grants Payable* decreased \$11.7 million on a comparative basis. *Accounts Payable*, amounts the FAA owes to other entities for unpaid goods and services, decreased \$60.0 million.

FAA's *Summarized Changes in Net Position* are shown on page 21. Net position presents those accounting items that caused the net position of the balance sheet to change from the beginning to the end of a reporting period. Various financing sources increase net position. These financing sources include appropriations received and nonexchange revenue, such as excise taxes and imputed financing from costs absorbed on FAA's behalf by other Federal agencies. The agency's net cost of operations and net transfers to other Federal agencies serve to reduce net position.

The FAA's cumulative results of operations for the period ending September 30, 2008, decreased \$299.0 million, on a comparative basis, due primarily to a combination of increases in net cost of \$717.7 million offset by increases in beginning balances of \$29.3 million and financing sources of \$389.4 million. Unexpended appropriations decreased \$179.0 million primarily due to appropriations used of \$2.5 billion from all eligible funds exceeding the current year's appropriation of \$2.3 billion.

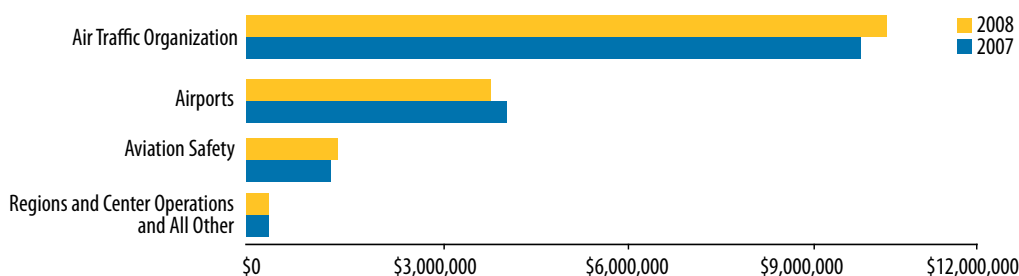
COMPOSITION OF NET COST

as of September 30, 2008



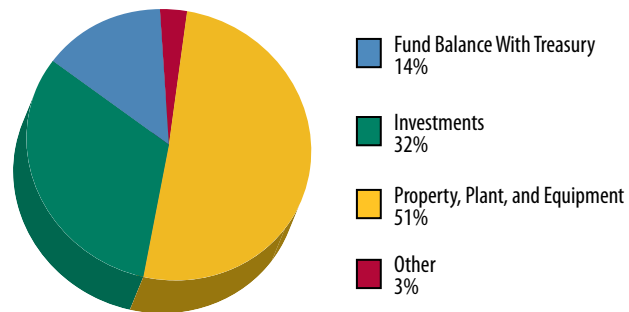
NET COST COMPARISON

Dollars in Thousands

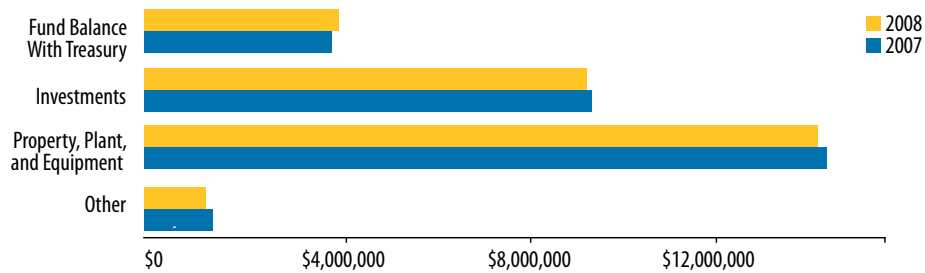


COMPOSITION OF ASSETS

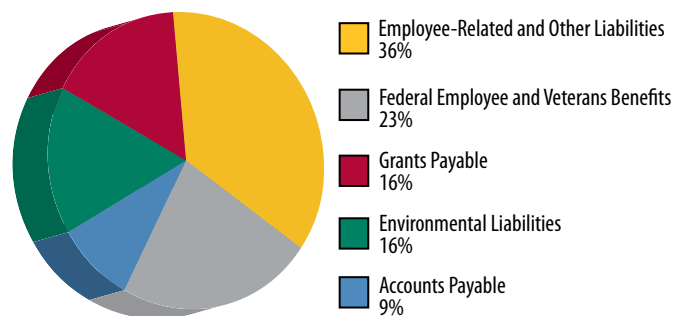
as of September 30, 2008

**ASSETS COMPARISON**

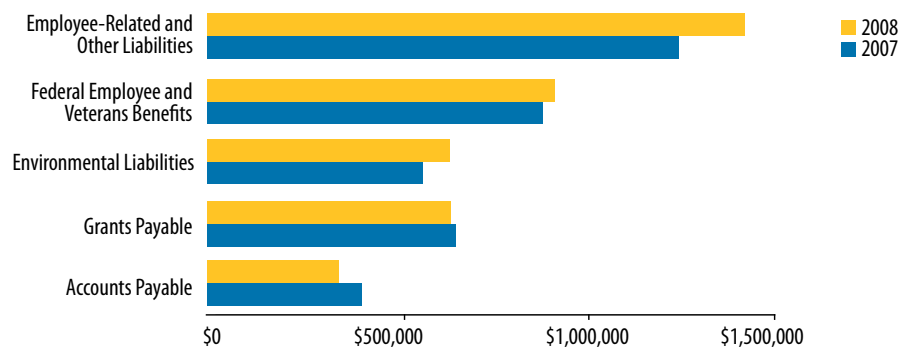
Dollars in Thousands

**COMPOSITION OF LIABILITIES**

as of September 30, 2008

**LIABILITIES COMPARISON**

Dollars in Thousands



Summary Financial Information

FAA's independent auditor, KPMG, LLP, rendered an unqualified audit opinion on FAA's FY 2008 financial statements with no material weaknesses. The DOT Office of Inspector General presented KPMG's audit report to the FAA Administrator on November 4, 2008.

The summary financial information in this Citizens' Report was derived from FAA's audited FY 2008 and FY 2007 financial statements, which were prepared pursuant to the requirements of the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994.

RAISING THE BAR ON SAFETY

With the expected growth in air transportation, the FAA must make even greater efforts and adopt new measures to continue improving aviation safety. Safety Management Systems (SMS) will help to do this by using and analyzing a wide variety of data points together to drive safety-related decisions rather than just assessing individual points. This holistic perspective will also give the FAA a better understanding of the risks caused by changes to the NAS so accidents can be prevented.



Credit: FAA Image Library

SMS will be implemented at all appropriate FAA organizations by 2012. With this disciplined, proactive, and standardized approach to managing risk, which is conducted before an error occurs, the FAA will improve its already impressive safety record.

—Adapted from an article appearing in FocusFAA, FAA's employee news service.

Summary of Audit Results and Management Assurances

Financial Statement Audit Summary

Table 1 on page 19 is a summary of the results of the independent audit of the FAA's consolidated financial statements, as well as information on the material weakness reported by the FAA's auditors in connection with the FY 2007 audit.

Management Assurances Summary

Table 2 on page 19 is a summary of 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 Manager's Financial Integrity Act (FMFIA). The last portion of Table 2 is a summary of the FAA's compliance with the Federal Financial Management Improvement Act (FFMIA).

Summarized Net Cost of Operations presents the annual cost of operating FAA's lines of business.

Summarized Assets, Liabilities, and Net Position presents the resources available to use (assets) against the amounts owed (liabilities) and the amounts that compose the difference (net position).

Summarized Changes in Net Position represents the difference between FAA's financing sources and its net cost of operations.

The audited consolidated financial statements are available in FAA's FY 2008 *Performance and Accountability Report* on the FAA website at www.faa.gov/about/plans_reports/.

TABLE 1. SUMMARY OF FINANCIAL STATEMENT AUDIT

Audit Opinion	FY 2008—unqualified		
	FY 2007—unqualified		
Restatement	No		
Material Weakness	FY 2007—number of material weaknesses	Revised and Reissued	FY 2008—number of material weaknesses
Timely Processing of Transactions and Accounting for Property, Plant, and Equipment, Including the Construction-in-Progress (CIP) Account.	1	0	0

TABLE 2. SUMMARY OF MANAGEMENT ASSURANCES

Effectiveness of Internal Control Over Financial Reporting (FMFIA § 2)			
Statement of Assurance	Unqualified statement of assurance		
Material Weakness	FY 2007—number of material weaknesses	Revised and Reissued	FY 2008—number of material weaknesses
Timely Processing of Transactions and Accounting for Property, Plant, and Equipment, Including the CIP Account.	1	0	0
Total Material Weaknesses	1	0	0
Effectiveness of Internal Control Over Operations (FMFIA § 2)			
Statement of Assurance	Unqualified statement of assurance		
Material Weakness	FY 2007—number of material weaknesses	Revised and Reissued	FY 2008—number of material weaknesses
Timely Processing of Transactions and Accounting for Property, Plant, and Equipment, Including the CIP Account.	1	0	0
Total Material Weaknesses	1	0	0
Conformance With Financial Management System Requirements (FMFIA § 4)			
Statement of Assurance	Systems conform to financial management system		
Non-Conformances	FY 2007—number of material weaknesses	Revised and Reissued	FY 2008—number of material weaknesses
No Non-Conformances	0	0	0
Compliance With Federal Financial Management Improvement Act (FFMIA)			
	Agency	Auditor	
Overall Substantial Compliance	Yes	Yes	
1. System Requirements		Yes	
2. Accounting Standards		Yes	
3. United States Standard General Ledger at Transaction Level		Yes	



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

Administrator, Federal Aviation Administration:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheets of the U.S. Department of Transportation Federal Aviation Administration (FAA) as of September 30, 2008 and 2007, and the related consolidated statements of net cost, changes in net position, and the combined statements of budgetary resources (hereinafter referred to as "consolidated financial statements") for the years then ended (not presented herein) and in our report dated November 4, 2008, we expressed an unqualified opinion on those consolidated financial statements.

The accompanying summary financial information of the FAA as of and for the years ended September 30, 2008 and 2007, as explained in the notes thereto, is not a presentation in conformity with U.S. generally accepted accounting principles. In our opinion, the accompanying summary financial information is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

KPMG LLP

November 4, 2008

FEDERAL AVIATION ADMINISTRATION

Summarized Net Cost of Operations

For the years ended September 30

(dollars in thousands)

	2008	2007
Lines of Business		
Air Traffic Organization	\$ 10,425,206	\$ 9,680,476
Airports	3,753,675	3,923,605
Aviation Safety	1,154,872	1,012,749
Commercial Space Transportation	11,257	10,768
Non Line of Business Programs		
Regions and center operations and other programs	187,111	186,856
Net Cost of Operations	<u>\$ 15,532,121</u>	<u>\$ 14,814,454</u>

FEDERAL AVIATION ADMINISTRATION

Summarized Assets, Liabilities, and Net Position

As of September 30

(dollars in thousands)

	2008	2007
Assets		
Fund balance with Treasury	\$ 3,926,742	\$ 3,895,095
Investments, net	8,846,350	8,904,357
Accounts receivable, prepayments, and other, net	329,814	482,556
Inventory and related property, net	538,837	507,527
Property, plant, and equipment, net	13,765,187	13,891,770
Total assets	<u>\$ 27,406,930</u>	<u>\$ 27,681,305</u>
Liabilities		
Accounts payable and grants payable	\$ 989,499	\$ 1,061,205
Environmental cleanup costs	637,825	566,886
Employee related and other	1,416,839	1,243,659
Federal employee benefits	915,242	883,982
Total liabilities	<u>\$ 3,959,405</u>	<u>\$ 3,755,732</u>
Net position		
Unexpended appropriations	\$ 920,894	\$ 1,099,916
Cumulative results of operations	22,526,631	22,825,657
Total net position	<u>23,447,525</u>	<u>23,925,573</u>
Total liabilities and net position	<u>\$ 27,406,930</u>	<u>\$ 27,681,305</u>

FEDERAL AVIATION ADMINISTRATION

Summarized Changes in Net Position

For the years ended September 30

(dollars in thousands)

	2008	2007
Net position - Beginning of Year	\$ 23,925,573	\$ 23,225,743
Financing sources		
Excise taxes and associated revenue	12,278,760	12,373,567
Appropriations received	2,342,939	2,746,317
Net transfers out	(111,563)	(74,434)
Imputed financing and other	543,937	468,834
Total financing sources	<u>\$ 15,054,073</u>	<u>\$ 15,514,284</u>
Net Cost of Operations	<u>(15,532,121)</u>	<u>(14,814,454)</u>
Net position - End of Year	<u>\$ 23,447,525</u>	<u>\$ 23,925,573</u>

NOTES TO THE SUMMARY FINANCIAL INFORMATION

Reporting Entity. The FAA, 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 NAS.

Basis of Presentation. The summary financial information is intended to provide users 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 *FY 2008 Performance and Accountability Report*. The summary financial information is not a presentation in accordance with accounting principles generally accepted in the United States of America.

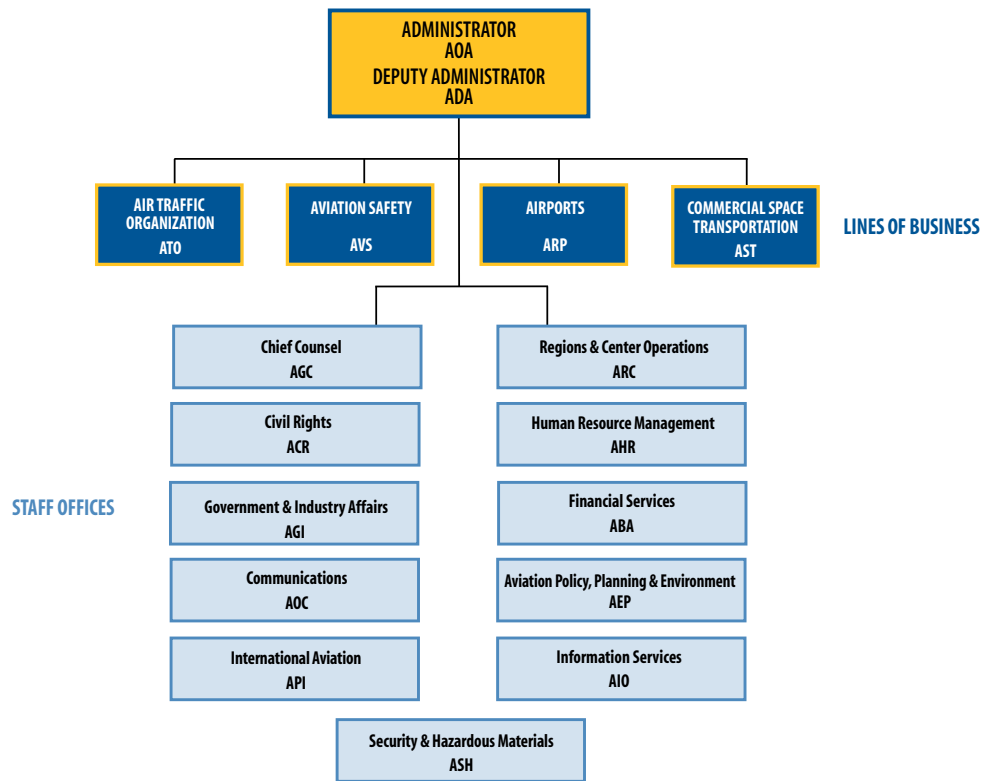
Assets. *Fund balance with Treasury* consists of funding available through Department of Treasury accounts from which the FAA is authorized to make expenditures to pay liabilities. *Investments, net* consist primarily of Airport and Airway Trust Fund (AATF) excise tax collections, which Congress has not appropriated to the FAA and which are invested in U.S. Treasury securities. *Accounts receivable, prepayments, and other, net* consist primarily of amounts owed to the FAA by other Federal agencies and the public, and advance payments to other Federal entities for agency expenses not yet incurred or for goods and services not yet received. *Property, plant, and equipment, net* consists primarily of equipment and related property that the FAA uses to operate the nation's air traffic control system. Repair parts used to keep the air traffic control system operational constitute the majority of *Inventory and related property, net*.

Liabilities. *Accounts payable* represents amounts owed to vendors for goods and services that the FAA has received. *Environmental cleanup costs* represents the accrued costs to correct known environmental hazards and decommission existing assets. *Employee related and other* consists primarily of accrued personnel compensation and legal liabilities considered probable of loss. *Federal employee benefits* represents the actuarial liability for future benefits payable for death, disability, medical, and miscellaneous costs for FAA employees under the Federal Employees Compensation Act.

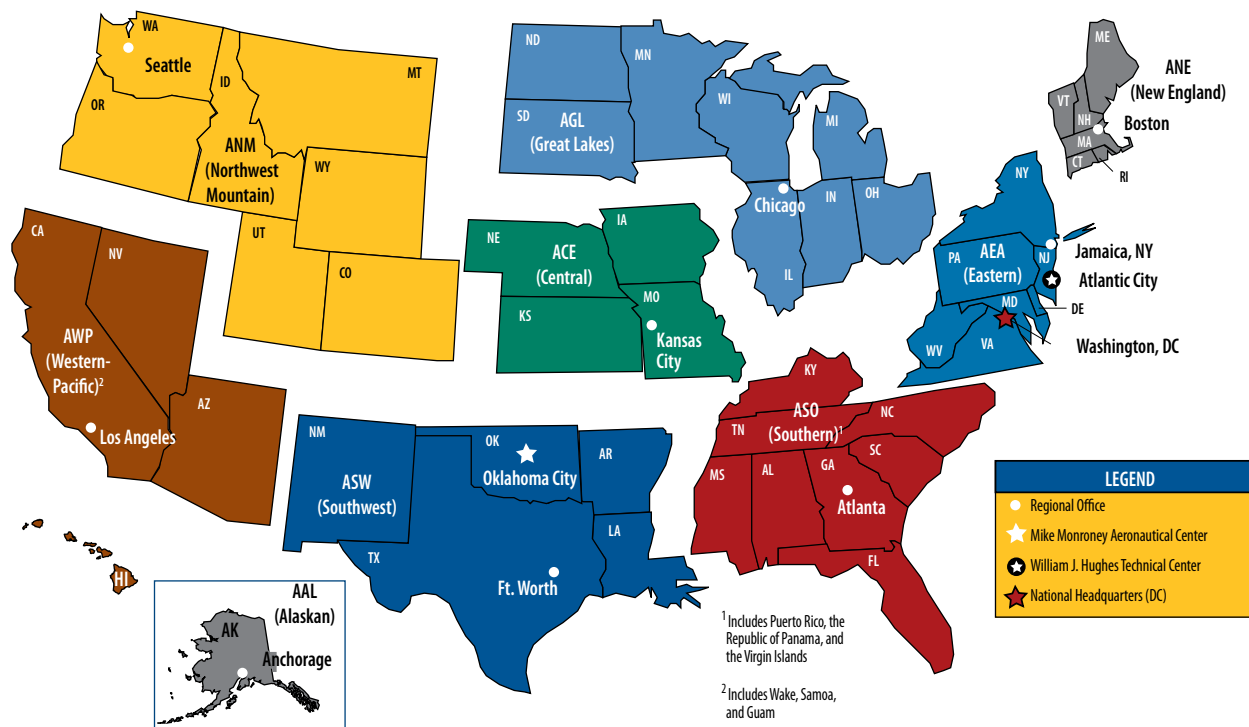
Budgetary Financing Sources. The FAA is funded primarily from excise taxes collected by the Internal Revenue Service from airway system users and deposited to the AATF. Annually, Congress enacts annual, multi-year, and no-year appropriations from the AATF and the General Fund of the U.S. Treasury to be used, within statutory limits, to fund FAA's net operating and capital expenditures. *Net transfers out* represent amounts transferred between the FAA and other Federal entities. *Imputed financing and other* includes principally FAA costs paid by other Federal entities, such as the Office of Personnel Management, which funds a portion of retirement costs for Federal employees.

Net Position. Net position consists of unexpended appropriations and cumulative results of operations. As of September 30, 2008 and 2007, *Unexpended appropriations* were \$920.9 million and \$1,099.9 million, and *Cumulative results of operations* were \$22,526.6 million and \$22,825.7 million, respectively. *Cumulative results of operations* represent certain assets of the FAA, less liabilities that will be funded by future budgetary resources and congressional appropriations.

Federal Aviation Administration Organization



Regional Map



INTERNET LINKS

Federal Aviation Administration:

www.faa.gov/

FAA Regional Offices and Centers:

www.faa.gov/about/office_org

FAA Operational Evolution Partnership:

www.faa.gov/about/office_org/headquarters_offices/ato/publications/oep/

FAA *Flight Plan*:

www.faa.gov/about/plans_reports/media/FPP_Flight%20Plan%202008-2012.pdf

National Transportation Library:

<http://ntl.bts.gov/>

U.S. Department of Transportation:

www.dot.gov

ACKNOWLEDGMENTS

This *FY 2008 Citizens' Report* is a collaborative endeavor of many FAA employees and contractors. We would like to acknowledge and thank them for their hard work and commitment in successfully preparing this report and supporting the audit of the financial statements.

WE WELCOME YOUR COMMENTS!

Thank you for your interest in the FAA's *FY 2008 Citizens' Report*. We welcome your comments on how we can make this report more informative for our readers.

Please send your comments to

Mail:

Office of Financial Management
Federal Aviation Administration
800 Independence Avenue, SW
Room 612
Washington, DC 20591

Phone: (202) 267-3018

E-mail: Allison.Ritman@faa.gov

Fax: (202) 493-4191

This report and reports from prior years are available on the FAA website at www.faa.gov/about/plans_reports/. For a printed copy, call (202) 267-3018 or email Allison.Ritman@faa.gov.

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