U.S. Department of Transportation
Federal Aviation Administration

FISCAL YEAR 2023

Federal Aviation Administration

Performance and Accountability Report

THE FAA. ADVANCING AVIATION.

Mission, Vision, Values

OUR MISSION

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

OUR VISION

We strive to reach the next level of safety and efficiency and to demonstrate global leadership in how we safely integrate new users and technologies into our aviation system. We are accountable to the American public and our aviation stakeholders.

OUR VALUES

SAFETY IS OUR PASSION

We work so 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.

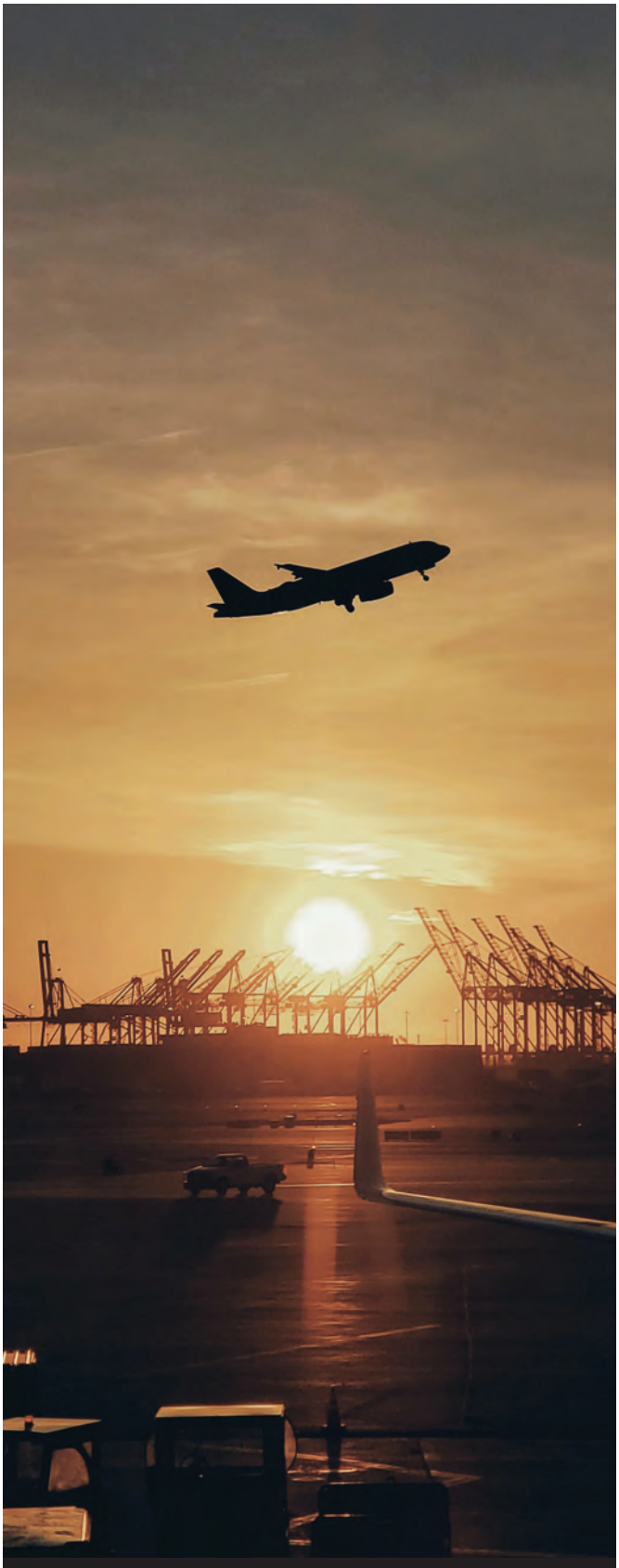
PEOPLE ARE OUR STRENGTH

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.

Cover: View of Oregon from above.
Mark Cook/Unsplash



View of Newark Liberty International Airport.
Clay Banks/Unsplash

Contents

WE WELCOME YOUR COMMENTS

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

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

Snapshot of Resources

45,230
TOTAL ACTIVE EMPLOYEES
As of September 30, 2023

36,817
REGIONAL AND FIELD OFFICES*

3,137
MIKE MONRONEY AERONAUTICAL CENTER
Oklahoma City, OK

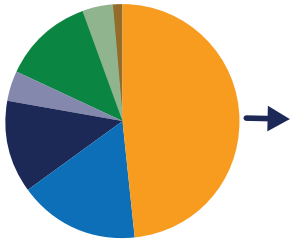
3,852
HEADQUARTERS
Washington, DC

1,424
WILLIAM J. HUGHES TECHNICAL CENTER
Atlantic City, NJ

* **Regional and field offices** include 1,790 active FAA employees outside the continental United States as follows: 1,099 in Alaska, 365 in Hawaii, 292 in U.S. territories, and 34 in foreign countries.

KEY: = 1,000 people

TOTAL BUDGET



$24.025 BILLION
Enacted for Fiscal Year 2023

Refer to pages 34–36 for more information.

OPERATIONS

$11.915 BILLION

GRANTS-IN-AID FOR AIRPORTS

$3.91 BILLION

OTHER AIRPORT RELATED GRANT PROGRAMS

$4.0 BILLION

- $3.0 BILLION Airport Infrastructure Grants**
- $1.0 BILLION Airport Terminal Program**

FACILITIES & EQUIPMENT

$3.945 BILLION

- $2.945 BILLION "Regular" Appropriation
- $1.0 BILLION FAA Facilities & Equipment**

RESEARCH, ENGINEERING, & DEVELOPMENT

$0.255 BILLION

**Supplemental funds received from Public Law 117-58, the Infrastructure Investment and Jobs Act (IIJA), which is also known as the Bipartisan Infrastructure Law (BIL).

Throughout this document, Public Law 117-58 will be referred to as BIL in all sections except in the Financial Highlights (pages 28–33), Budgetary Integrity (pages 34–36), and the Financial Results (pages 81–140), where it will be referred to as IIJA.

Foreword

The Federal Aviation Administration (FAA) is unwavering in its commitment to providing the safest and most efficient aerospace system in the world, and fulfilling this mission in a fiscally responsible, transparent way is of paramount importance. To this end, the FAA provides key performance and financial data to the U.S. Department of Transportation (DOT) for incorporation in the DOT's Agency Financial Report. While the FAA is not required to prepare a separate report, we choose to provide an independent Performance and Accountability Report (PAR) to underscore the agency's accountability to the public. Since fiscal year (FY) 2002, the FAA's PAR presents its own performance, management, and financial information using the same statutory and guidance framework used by the DOT.

The success of our financial stewardship is due to the diligent efforts of our employees who practice sound fiscal policies to support our mission, programs, and systems. We thank our people for their dedication and commitment to our mission and their transparent reporting of the agency's important work.

We are proud of the recognition we have received for transparent reporting of our performance and accountability metrics. The Certificate of Excellence in Accountability Reporting (CEAR) award program was established by the AGA (formerly the Association of Government Accountants) in collaboration with the Chief Financial Officers Council and Office of Management and Budget (OMB) to improve government accountability by streamlining reporting and improving the effectiveness of reports. Receiving the CEAR award is a significant accomplishment for a federal agency, and **the FAA is proud to have received the prestigious CEAR award 19 of the last 20 years**. We are also honored to have been recognized 10 times with special "best in class" awards for elements of our PAR considered the best across all of government. **For the FY 2022 PAR, the FAA received another "best in class" award, for "Clear, Concise Performance Highlights."** This award attests to the exceptional quality of our PAR's Performance Highlights subsection, which outlines our process for managing performance, goals, and high-level results, and presents informative and concise Performance at a Glance tables. In this year's PAR, Performance Highlights begin on page 21, and the Performance at a Glance tables begin on page 24.

Reporting Requirements

The FAA is part of the DOT. By directives, the Office of Management and Budget (OMB), with statutory authority from the Chief Financial Officers Act of 1990, requires the FAA to prepare financial statements separate from those of the DOT.

A Message from the Deputy Administrator

Katie Thomson
Deputy
Administrator

SAFETY WILL ALWAYS BE THE FAA'S TOP PRIORITY. This year reminded us of the importance of remaining vigilant—of always looking at the data—to ensure we identify and address any emerging issues. I am proud of the agency's candid and head-on approach to address the recent cluster of runway incursions at airports, and more safety work is underway.

This approach indicates a trend I've witnessed this year: the FAA's in-person engagement delivers safety dividends. When then-Acting Administrator Billy Nolen convened an FAA Aviation Safety Summit on March 15, 2023, more than 200 safety leaders from across the aviation industry met to look at these incidents with fresh eyes. We have seen increased FAA engagement at events like Experimental Aircraft Association (EAA) AirVenture Oshkosh and our annual UAS Symposium.

We started the summer travel season from a strong position, thanks to the great work of our air traffic controllers, but it takes continued vigilance from all of us to keep flights safe. These recent efforts and our long partnerships with industry through entities like the Commercial Aviation Safety Team, will help us stay focused as we move toward aviation's next chapter. To learn more about this team and their work to use data to make aviation safer, refer to pages 50 and 75.

The aviation industry is likewise reaching and surpassing pre-COVID activity levels, and our air traffic controllers are rising to the challenge. We're in the midst of a multi-year controller hiring push to ensure we can match the industry's resurgence. I'm proud to report that the FAA met its goal of hiring 1,500 air traffic controllers for this year, and we're set to increase that goal to 1,800 for FY 2024.

The FAA is focused on the next new entrant to the national airspace system:
advanced air mobility.

The FAA is focused on the next new entrant to the national airspace system: advanced air mobility. This new entrant moves people and property using aircraft with advanced technologies, including electric aircraft or electric Vertical Takeoff and Landing (eVTOL) aircraft. This year, the agency published a concept of operations, a key first step that describes how this new entrant could operate in our airspace. We've also published an implementation plan that maps out how we can get to that future state. You can read more about how the FAA is looking ahead and preparing for this future challenge starting on page 17.

The FAA is now in its second year implementing the Bipartisan Infrastructure Law (BIL), also known as the Infrastructure Investment and Jobs Act. This historic investment in our nation will modernize infrastructure, increase equity in transportation, help fight climate change, strengthen the supply chain, and create jobs across all modes of transportation. The FAA is actively revitalizing our outdated air traffic control facilities infrastructure, and reached a key milestone this year when we selected a sustainable design for new air traffic control towers to be used primarily at smaller commercial service and busy general aviation airports. The design's standardized elements will reduce construction and operational costs while allowing buildings to be tailored to local climate and location needs. These innovative approaches are helpful, but mandatory timely maintenance and replacement of nearly 400 FAA-maintained facilities will require continued robust funding levels. For more information on this program, refer to page 73.

FAA Reauthorization and Aircraft Certification, Safety, and Accountability Act

The FAA Reauthorization Act of 2018, Public Law 115-254 (the Act), was signed into law on October 5, 2018. Over the past year, the agency made significant progress in fulfilling the Congressional mandates in the Act, such as:

In November 2022, the FAA adopted a final rule requiring commercial hot-air balloon pilots to hold medical certificates when flying paying passengers. Previously, commercial balloon pilots were exempt from the medical requirement. This rule addressed a National Transportation Safety Board recommendation that the FAA remove the exemption.

In June 2023, the FAA published the final rule on secondary flightdeck barriers. The agency will require a secondary barrier on the flight deck of new commercial airplanes to ensure the safety of aircraft, flight crew, and air passengers. The final rule mandating the additional barrier will protect flightdecks from intrusion when the flightdeck door is open.

The FAA remains committed to a thorough and complete implementation of the Aircraft Certification, Safety, and Accountability Act, Public Law 116-260 (ACSAA), and addressing recommendations from recent investigations and independent reviews. ACSAA has over 100 unique legislative requirements. The legislation is vast and complex and includes requirements spread over a ten-year period as well as multiple rulemaking efforts. To date, the FAA has completed approximately 65 percent of the included provisions, including publication of the Safety Management Systems Notice of Proposed Rulemaking and the System Safety Analysis Notice of Proposed Rulemaking. The agency will continue to brief Congressional staff, union partners, and industry stakeholders on implementation efforts quarterly.

Financial Accountability

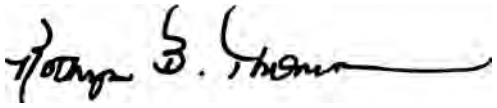
The FAA remains committed to ensuring transparency and accountability while **achieving our mission.**

The FAA remains committed to ensuring transparency and accountability while achieving our mission. This report's performance and financial data are complete and accurate, providing a comprehensive representation of agency results. Furthermore, for the 17th consecutive year, independent auditors issued the agency an unmodified audit opinion on our financial statements. The independent auditors' report appears on page 86, while the statement of assurance appears on page 44. The FY 2023 Performance and Accountability Report and a summary document can be accessed online at: **https://www.faa.gov/about/plans_reports/#performance**.

Conclusion

The FAA remains committed to guaranteeing the reliability of the nation's airspace system. This requires constant vigilance on our part, as well as robust investment in our people, facilities, and technologies. I'm proud to say our workforce has demonstrated the flexibility and ingenuity to adapt to challenging circumstances.

On October 26, 2023, Acting Administrator Polly Trottenberg handed the reins of the FAA over to Mike Whitaker, our newly confirmed Administrator. Mike knows aviation and cares deeply about safety. As a former Deputy Administrator of the FAA, he has hit the ground running and under his leadership this agency will continue to move forward in aviation safety, aerospace system performance, and innovation. Mike and I both know whatever the future holds, the FAA will be ready!



Kathryn B. Thomson
Deputy Administrator
November 9, 2023

Gateside at Ronald Reagan Washington National Airport.

FAA photo by Andrew Burns

Management's Discussion & Analysis

History of Modern Aviation and the Creation of the FAA

Without regulation, early aviation remained the realm of daredevils. Early pilots, male and female, pushed one another to set, then break, a host of aviation records for speed, flight duration, and aerobatics. Without navigation aids, pilots flew 200 to 500 feet above the ground so they could navigate by roads and railways. Fatal accidents were routine.

The Airmail Act of 1925 facilitated the growth of the commercial airline business. The legislation required the Post Office Department to contract with airlines to carry the mail. As a result, a number of airlines began mail delivery service. These airline operators found they could not be profitable unless they also carried passengers. The high number of accidents, however, made many potential passengers afraid to fly.

Aviation industry leaders sought federal action to improve and maintain safety standards, so the aviation industry could reach its full commercial potential. At their urging, Congress passed the Air Commerce Act of 1926. This landmark legislation established the first federal regulation of aviation by directing the Secretary of Commerce to foster air commerce, license pilots, certify aircraft, establish airways, and operate and maintain aids to air navigation. With safety regulations in place and public confidence growing, aviation quickly became a vital national resource, providing opportunities for travel, new business ventures, and jobs.

As the aviation industry grew, so too did federal responsibilities. Over time, new federal oversight areas included air traffic control and airport safety. The Federal Aviation Act of 1958 created the FAA largely as we know it today. Since then, with the continued evolution of aeronautics, the agency has addressed a wide variety of concerns, including aircraft noise, security, international cooperation, and commercial space transportation.

At the Newark tower in 1936, Controller Bill Darby works with the latest air traffic control equipment.
FAA Photo

Aviation today remains as challenging as ever. Innovation in aeronautics and astronautics continues at a rapid pace. Commercial space activities are taking civilians into space, unmanned aircraft are taking flight and becoming important tools in commerce, and urban air mobility and advanced air mobility have joined our lexicon. The aviation industry continues to expand, and our list of partners, both national and international, is growing. As always, the FAA stands ready to tackle current and future challenges with the same deep dedication and focused energy it has shown for the last 65 years.

Starting on page 8 and continuing to page 10, we have compiled a timeline of some major accomplishments in the context of aerospace history.

Milestones in Aerospace History

1900

1903
DECEMBER 17

Orville and Wilbur Wright made the first successful flight in a self-propelled airplane.

1910

1910
SEPTEMBER 16

Bessica Raiche made the first accredited solo flight by a woman in the U.S.

1911
AUGUST 1

Harriet Quimby became the first U.S. woman to earn an Aero Club of America aviator's certificate. In 1912, she became the first woman to fly across the English Channel.

1918
MAY 15

The Post Office began scheduled airmail service using Army pilots and, on

AUGUST 12

began flying the mail with its own pilots.

1920

1921
JUNE 15

Bessie Coleman became the first African-American in the world to earn a pilot's license. Since the U.S. did not issue such licenses until 1927, and it was difficult for women and people of color to find flight instructors in the U.S., she took flying lessons abroad and received her license from the Fédération Aéronautique Internationale.

Read more about the Bessie Coleman commemorative quarter, which was issued this year: **https://www.faa.gov/newsroom/bessie-coleman-quarter**.

1926
MARCH 16

Robert H. Goddard made the first free flight of a liquid-fueled rocket in Auburn, MA.

1926
MAY 20

President Calvin Coolidge signed the Air Commerce Act, establishing federal control over civil aviation.

1927
APRIL 6

William P. MacCracken, Jr., Assistant Secretary of Commerce for Aeronautics, received Pilot License No. 1, the first such license issued by the federal government.

1927
MAY 20–21

Charles Lindbergh made the first nonstop solo flight across the Atlantic.

1930

1932
MAY 21–22

Amelia Earhart became the first woman to make a solo crossing of the Atlantic by airplane.

1935
APRIL 2

British scientist Sir Robert Watson-Watt patented the first practical radar (radio detection and ranging) system.

1936
JULY 6

Federal en route air traffic control began as the Bureau of Air Commerce took over operation of the three airway traffic control stations at Newark, Chicago, and Cleveland.

1938
JUNE 22

Willa Brown received her private pilot's license. She later became one of the first African-American women to earn a commercial pilot's license and the first African-American woman officer in the Civil Air Patrol.

1938
JUNE 23

President Franklin Roosevelt signed the Civil Aeronautics Act of 1938 into law, which transferred federal responsibilities for civil aviation from the Bureau of Air Commerce to a new, independent agency, the Civil Aeronautics Authority.

1940

1941
Oscar Holmes, the first known African-American to become a federal air traffic controller, joined the Civil Aeronautics Authority.

1941
NOVEMBER 1

The Civil Aeronautics Authority began operating airport traffic control towers and later that year began hiring and training women to be air traffic controllers.

1947
OCTOBER 14

Charles E. Yeager, U.S. Air Force, piloting the Bell X-I rocket-propelled research aircraft at Muroc, CA, became the first pilot to break the sound barrier.

1950

1953
MAY 18

Pilot Jacqueline Cochran became the first female pilot to break the sound barrier. Previously, she served as the head of the Women Airforce Service Pilots and helped sponsor the Mercury 13 women astronaut program.

1956
JUNE 30

A Trans World Airlines Super Constellation and a United Air Lines DC-7 collided over the Grand Canyon in AZ, killing all 128 occupants of both airplanes. The accident led directly to legislation creating the Federal Aviation Agency.

1957
DECEMBER 20

The jet age began in the U.S. with the first flight of the Boeing 707.

1958
AUGUST 23

President Eisenhower signed the Federal Aviation Act of 1958, creating the independent Federal Aviation Agency. The agency began operations on December 31.

1958
OCTOBER 1

The National Aeronautics and Space Act of 1958 created the National Aeronautics and Space Administration (NASA).

1960

1961
FEBRUARY 26

Aviation weather services expanded to include pilot weather briefings and air-to-ground weather requests.

1962
FEBRUARY 20

John H. Glenn, Jr., piloted the first U.S. crewed orbital flight.

1964
APRIL 17

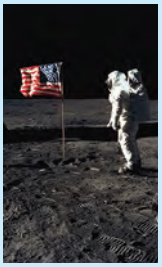
Geraldine Mock completed the first solo flight around the world by a woman.

1967
APRIL 1

The Department of Transportation and the National Transportation Safety Board began operations.

1968

Eleanor Williams began controller training; she earned her controller certification, becoming the first African-American female air traffic controller, in 1971.



1969
JULY 20

Astronauts Neil A. Armstrong and Edwin E. Aldrin, Jr., became the first people to land on the moon, while Michael Collins remained in lunar orbit. Later in the day, Armstrong and then Aldrin became the first to walk on the lunar surface.

1970

1971

Wally Funk became the first woman to complete the FAA's General Aviation Operations Inspector Academy course.

1973
APRIL 1

At the age of 24, Bonnie Tiburzi began flight training at American Airlines and became the first woman hired by a major airline as a member of the cockpit crew.

1976
JANUARY 21

The Concorde supersonic transport made its first commercial passenger flight.

1980

1980
MAY

Olga Custodio graduated from the U.S. Air Force officer training school and became the first female Hispanic Air Force pilot. She subsequently became one of the first Hispanic commercial airline pilots.

1981
APRIL 12

NASA's space shuttle Columbia made its first orbital flight.

1983
JUNE 18
Sally Ride became the first U.S. woman in space.

1984
DOT's Office of Commercial Space Transportation was established. In November 1995, it was transferred to the FAA as the FAA's only space-related line of business.

1990

1990
FEBRUARY 25
Prohibition of smoking went into effect on virtually all scheduled U.S. domestic airline flights.

1992
SEPTEMBER 12
Mae Jemison became the first African-American female in space.

1995
FEBRUARY 3
Eileen Collins became the first female NASA shuttle pilot.

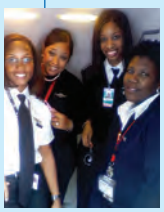
1996
SEPTEMBER 19
FAA issued a license to Spaceport Systems International, allowing it to open the world's first privately-operated space launch facility, California Spaceport.

Read more about FAA and aerospace history here, https://www.faa.gov/about/history/timeline.

2000

2001
NOVEMBER 19
Transportation Security Administration was founded.

2005
SEPTEMBER 28
FAA issued the first airworthiness certificate for a civil unmanned aerial vehicle, the General Atomics Altair.

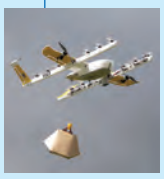


2009
FEBRUARY 12
Atlantic Southeast Airlines flights 5202 and 5106 became the first commercial jet revenue flights to be operated by an all-female, all African-American crew.

2010

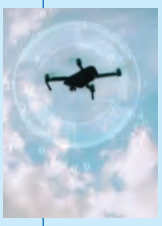
2012
MAY 22
The SpaceX Falcon 9 rocket launched and, on
MAY 25
became the first U.S. commercial space rocket to dock at the International Space Station.

2016
AUGUST 29
FAA implemented the first operational rules for routine non-hobbyist use of small Unmanned Aircraft Systems, or drones.



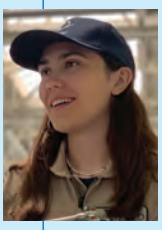
2019
APRIL 23
The FAA awarded the first air carrier certification to a drone delivery company, Wing Aviation, paving the way for the company to begin commercial package delivery and, on
OCTOBER 18
Wing Aviation and FedEx Express completed the first scheduled package delivery by drone to a house in Christiansburg, VA.

2020



2021
APRIL 21
FAA's Remote Identification rule became effective, providing for the identification of drones in flight and the location of their control stations.

2021
SEPTEMBER 15
SpaceX launched Inspiration4, the first spacecraft to orbit Earth with only space flight participants and no crew or professional astronauts on board.



2022
JANUARY 20
Zara Rutherford, a 19-year-old Belgian-British aviator, became the youngest woman to complete a solo flight around the world.

2022
APRIL 22
FAA and U.S. airports launched an Airport Climate Challenge to help achieve a goal of net-zero emissions by 2050.

This agency will continue to move forward in aviation safety, aerospace system performance, and innovation...

whatever the future holds, the FAA will be ready!

FAA Organization

The FAA fulfills its mission through five lines of business that work together with the aviation and aerospace industries, and other key stakeholders, to develop, operate, and maintain the national air transportation system.

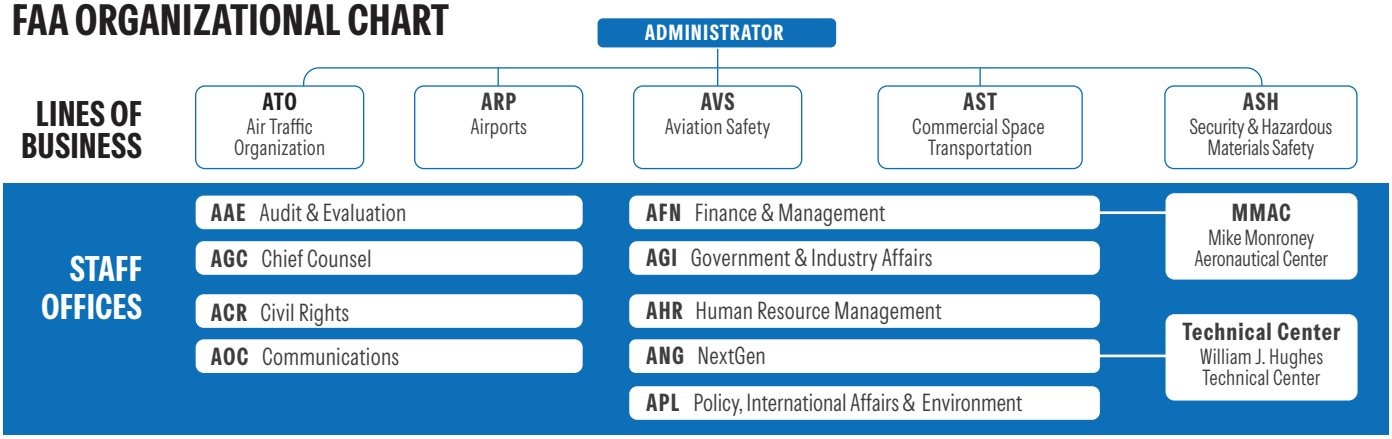
- **Air Traffic Organization (ATO).** The ATO provides safe and efficient air navigation services across 29.4 million square miles of airspace, including the United States, large portions of the Atlantic and Pacific Oceans, and the Gulf of Mexico. This represents more than 17 percent of the world's airspace. ATO employees, such as air traffic controllers, technicians, pilots, engineers, program managers, and other support personnel, work tirelessly to keep aircraft moving safely and efficiently through the nation's skies.
- **Airports (ARP).** ARP takes the lead in planning and developing a safe and efficient national airport system. ARP is responsible for the regulatory oversight of airport safety and manages the national airport certification program. ARP sets standards for design, construction, and operation of airports (including the development and harmonization of international airport standards). Operational areas focus on airfield inspections, airport emergency operations, aircraft rescue and firefighting, and the mitigation of wildlife hazards. ARP also maintains the National Plan of Integrated Airport Systems and develops national-level guidance and policies on airport and system planning, environmental review, and an array of airport financial assistance programs. Additionally, ARP is responsible for establishing policies related to airport rates and charges, compliance with grant assurances, and airport privatization.
- **Aviation Safety (AVS).** AVS certifies and approves the airworthiness of aircraft. AVS also manages the certification of pilots, mechanics, and others in safety-related positions, including approximately 11,500 commercial air operators and air agencies such as airports, maintenance organizations, and training organizations. AVS is also responsible for integrating drones and other advanced aviation technologies, developing regulations, conducting aviation accident investigations, and performing aerospace medical and human factors research.
- **Commercial Space Transportation (AST).** AST's mission is to enable safe space transportation. AST ensures the protection of the public, property, and national security of the United States during commercial space launch and reentry activities. AST authorizes launches and reentry operations and licenses launch and reentry sites. AST also promotes safety in U.S. commercial space transportation with consideration for environmental issues.
- **Security and Hazardous Materials Safety (ASH).** ASH protects critical FAA assets, personnel, and the flying public from security risks, including criminal, terrorist, and insider threats. ASH operates 24/7 to safeguard assets through emergency preparedness and response, global aviation situational awareness, intelligence threat analysis, robust regulatory investigations, and support and education for law enforcement. ASH collaborates with FAA, interagency, industry, and foreign partners to provide national security support and to ensure safe transportation of hazardous materials (HAZMAT) in air commerce preventing accidents or incidents aboard aircraft through targeted oversight, education, outreach, and stakeholder engagement.

The FAA has nine staff offices that support these lines of business and help the agency accomplish its mission. Some key staff offices are:

- **Finance and Management (AFN).** AFN serves as the FAA's shared services organization, providing common business services through a consolidated, integrated approach. AFN delivers high-quality, efficient, and reliable finance, acquisitions, contracting, information technology, property management, and technical training services across the agency.
  - **The Mike Monroney Aeronautical Center (MMAC).** Part of AFN, MMAC provides unique functions supporting the FAA's mission, including technical training for air traffic controllers, technicians, aviation safety inspectors, and engineers; financial, information systems security, technology, and business services solutions for customers across the DOT and federal government; and facility management services for all MMAC tenants. Several non-AFN FAA lines of business have operations

Watch
Who We Are and What We Do — "FAA 101"
https://www.youtube.com/watch?v=9KguBolHI4I

FAA ORGANIZATIONAL CHART



located at the MMAC. Additional information about the MMAC can be found on pages 38–39.

- **NextGen (ANG).** ANG leads the planning and development of the Next Generation Air Transportation System (NextGen) and manages the agency's Research and Development (R&D). This office coordinates NextGen initiatives, programs, and policy development across the FAA. ANG also works with other government agencies, international counterparts, and members of the aviation community to ensure harmonization of NextGen policies and procedures.

Check out our

Science, Technology, Engineering, and Math (STEM) Aviation and Space Education (AVSED) YouTube playlist

https://youtube.com/playlist?list=PL5vHkqHi51DQaQfoQS_pyHA7MTG98vr7a

- **The William J. Hughes Technical Center (Technical Center).** Part of ANG, the Technical Center is the nation's premier air transportation laboratory. Technical Center employees research, develop, test, evaluate, and sustain a full spectrum of aviation systems, including communications, surveillance, navigation, traffic flow management, and weather systems. The Technical Center's laboratories provide a platform to modernize the national airspace system and deliver NextGen operational capabilities. Additional information about the Technical Center can be found on pages 19–20.

As shown in the FAA Organizational Chart above, the FAA has seven additional staff offices: Civil Rights; Chief Counsel; Human Resource Management; Communications; Government & Industry Affairs; Policy, International Affairs & Environment (which also includes the Office of National Engagement and Regional Administration); and Audit & Evaluation.

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

The David J. Hurley Air Traffic Control System Command Center in Warrenton, VA, which balances air traffic demand with system capacity. The Command Center is co-located with the Potomac Terminal Radar Approach Control, the facility in charge of the Washington, DC airspace.

FAA Photo

Achievements and Challenges

A Safety Call to Action

CLOSE CALLS AND WHAT WE ARE DOING ABOUT IT

The FAA's mission is to provide the safest, most efficient aerospace system in the world. In response to an increase in runway incursions and other safety incidents from late 2022 and into 2023, the then-Acting FAA Administrator issued a Safety Call to Action in February 2023. Air Traffic Organization (ATO) leadership, aviation industry, union partners, and other experts collaborated to develop action plans addressing runway incursions. The FAA is committed to transparency and collaboration. Leaning into our safety culture is the best way to improve our operation and rightfully earn the trust of the flying public. An important part of our efforts is to educate our stakeholders on the continuous work we do 24/7 to keep the national airspace system safe. While this remains the safest period in aviation history, recent events reminded the aviation industry that we cannot become complacent, and that we must delve into the data and ask hard questions.

In March 2023, shortly after this call to action, the agency held the FAA Aviation Safety Summit, bringing together more than 200 safety leaders from across the aviation industry to discuss ways to enhance flight safety. After the Safety Summit, the FAA's ATO identified additional steps to ensure our safety system remains effective and resilient. These include improved supervision of operations and airfields during peak traffic periods, provisions for specialized training and updated simulator software, reinforcement of existing safety protocols for situational awareness, reduction of our controller training backlog from the pandemic, and continued analysis of runway incursion data to identify underlying causes and identify remedies. Before the end of FY 2023, the agency hosted runway safety meetings at more than 90 airports to address airport-specific risk in the surface environment. This well-established practice is our opportunity to collaborate with all surface safety stakeholders to make local improvements at individual airports.

The FAA held a Safety Summit in March 2023 during which more than 200 safety leaders from across the aviation industry met to discuss ways to enhance flight safety.

Watch the FAA Aviation Safety Summit:
https://www.youtube.com/watch?v=i_ap93YLFRU

In April 2023, the FAA formed an independent Safety Review Team. We are awaiting the Administrator-appointed, independent Safety Review Team's recommendations later this fall and this will be our opportunity to consider additional systemic improvements. For more information and details on FAA's surface safety efforts, see pages 51–52.

The FAA continues to invest in aviation safety at the nation's airports. In August 2023, the FAA awarded $121 million in grants to airports across the country to reduce the risk of runway incursions. Projects will reconfigure taxiways that may cause confusion, install new lighting

Preparing to fly?

Visit https://www.faa.gov/travelers/prepare_fly/ before you get to the airport for travel tips, information on weather and delays, and resources for passengers with disabilities.

Already at the airport?

Already at the airport? Visit nasstatus.faa.gov from your mobile device for up-to-date information on airport status and delays, and the latest news from the FAA.

systems and provide more flexibility on the airfield. The FAA followed that up with another $26 million in new investments that will further improve aviation safety.

Technology also continues to play an important role in our safety mission. In June 2023, the FAA held a Surface Safety Industry Day to provide industry with a venue to showcase commercial and readily available industry solutions to assist controllers in improving situational awareness. The event provided an opportunity to collaborate with the aviation industry to meet the needs of FAA stakeholders.

Sharing information, continuously learning and working with our stakeholders is critical to improving runway safety. As a result of this additional outreach and reinforced messaging, the rate of most severe runway incursions is down 27 percent since the Safety Call to Action event.

Aviation Safety Outreach

THE RETURN OF IN-PERSON ENGAGEMENT

Outreach to the aviation community is another key part of the FAA's safety toolbox. In-person interactions are the most effective way we share critical safety information. During the COVID-19 pandemic, the FAA scaled back in-person outreach and focused on webinar-based outreach, but this year we saw a resurgence of in-person activities.

At this year's EAA AirVenture Oshkosh, an annual air show and gathering of aviation enthusiasts held each summer in Oshkosh, Wisconsin, aviation safety inspectors, technicians, air traffic controllers, and many other FAA employees staffed booths and held forums on a myriad of topics. Over 10,000 attendees visited FAA booths and forums. The FAA Safety Team (FAASTeam) spoke with attendees about how to participate in the WINGS Pilot Proficiency Program, a collection of learning activities and tasks tailored to pilots and selected to address the documented causal factors of aircraft accidents. The FAASTeam also covered what to do if an airman's medical certificate was denied, weather challenges in flying, and how to feel comfortable talking with air traffic control. The Eliminate Aviation Gasoline Lead Emissions team, alongside industry partners, held a presentation on leaded aviation fuels. Accident Investigation and Prevention representatives spoke to more than 250 attendees on targeted safety enhancements aimed at reducing the fatal accident rate. These conversations covered topics such as the importance of flight data monitoring and the effect of over-the-counter medications on the ability to fly. Experts demonstrated how pilots can easily understand their flight data through the National General Aviation Flight Information Database. The Office of Aerospace Medicine held a listening session with Aviation Medical Examiners, answered questions about medical certification, offered training in the Portable Reduced Oxygen Training Environment, and conducted a briefing on changes to aeromedical programs.

This is just one example of the FAA's in-person engagement efforts. Events like the FAA Safety Summit held in March 2023, as well as the FAA Drone Symposium and Advanced Air Mobility Summit held in August 2023 all represent valuable tools in the FAA's safety toolbox.

Aircraft Certification Reform

REFINING BEST PRACTICES FOR IMPROVED SAFETY

The FAA continues to improve and refine our certification and safety oversight processes. We take a comprehensive approach to implementing recent certification reform legislation, and we systematically address recommendations from investigations and independent reviews. The FAA identified the following general themes from these reviews:

- Treat aircraft as complex systems, with full consideration of how all the elements in the operating system interact.
- Consider human factors more effectively throughout all aspects of the design and certification process.
- Improve oversight processes by ensuring the coordinated, flexible flow of information.
- Strengthen the workforce by developing expertise to evaluate technological advances.

One significant component of our certification process is the Organization Designation Authorization (ODA) program. The ODA program is the means by which the FAA grants certification authority to organizations or companies. This year, the FAA identified best practices for preventing and deterring instances of undue pressure and failures to maintain independence between the FAA and an ODA holder. This independence is crucial to the safety objectives of the ODA program.

The FAA also reviewed ODA unit member qualifications. Unit members are employees in a company's ODA holder's group that perform delegated certification functions. To protect unit members, the FAA published a notice

intended to eliminate ODA holder interference with unit members.

The FAA remains committed to preserving the highest level of safety within our national airspace. Aircraft certification reform is a critical part of our safety strategy.

Addressing Registration Backlogs

INCREASING EFFICIENCY THROUGH PROCESS IMPROVEMENT

The FAA Registry is responsible for the registration of U.S. civil aircraft and the certification of aircrew, such as pilots and mechanics. The FAA Registry maintains information on approximately 285,000 U.S. civil aircraft. Aircraft registration certificates are foundational legal documents for ensuring safety. Each application requires a diligent, thorough review. Since timely application processing is essential, our goal is to reduce application processing time to 30 days by 2024.

To achieve this, the FAA developed Civil Aviation Registry Electronic Services (CARES), a cloud-based system for online aircraft and aircrew certification, which went live on December 5, 2022. While the legacy FAA Registry involved paper-based applications and processing, CARES modernizes the process and payment for registration. The new system reduces the need to send mail to the FAA Registry, may reduce rejection rates, improves fraud detection, increases the efficiency and security of the process, and provides overall improved customer service. The initial release of CARES focuses on aircraft registration for individuals. While CARES is a culmination of years of work, we are still working to expand the system's capabilities. In the future, we hope CARES will be able to manage fractional ownership of planes, as well as the retirement of aircraft at the end of their service life. The scope of the capabilities available will continue to increase and improve over time, modernizing the Registry's infrastructure.

Integrating Drones into the National Airspace System

NEW TECHNOLOGY EXPANDS AMERICA'S SKIES

Unmanned Aircraft Systems (UAS), also known as drones, continue to increase in number, size, and complexity. The FAA remains committed to matching drone operators' drive as they develop innovative ways to use these technologies. Through UAS Test Sites, the FAA accelerates the integration of drones into the national airspace. Rigorous testing at these sites helps evaluate the capabilities of public and civil UAS, and their data supports the FAA's development of certification standards and air traffic requirements. This year, the FAA also issued 7 waivers under 49 U.S.C. § 44803(c), also known as Charlie waivers, which allow qualified test sites to conduct research, development, and testing for drones that weigh less than 300 pounds. Charlie waivers streamline flight-testing for qualified drones. The Charlie waiver will transform the field of drone research and development by making drone operations easier to conduct at these sites.

At two UAS Test Sites, the FAA also conducted Unmanned Traffic Management (UTM) field tests. UTM is crucial to unlocking the next stage in drone integration as it allows the autonomous or semi-autonomous management of drones in a specific airspace, allowing operators to scale up drone operations without burdening air traffic controllers in the area. UTM field tests seek to validate industry standards and help us understand the capabilities of available UTM services. The results of these field tests will inform policy development for UTM operations. The test sites help us learn how to safely integrate complex drone operations into the national airspace system, and they will play a significant role in addressing remaining challenges.

To date, drone operations have been largely limited to operations within visual line of sight of the pilot in command. The next major phase in drone integration is enabling routine, scalable, and economically viable Beyond Visual Line of Sight (BVLOS) operations. BVLOS operations introduce new opportunities for managing aircraft, operations, and airspace. To realize the economic

advantage of BVLOS drone operation, the FAA continues to move from one-off approvals to predictable and scalable operations, especially for vital projects like infrastructure inspection, public safety, and package delivery.

In Spring 2023, the FAA initiated an effort to scale BVLOS operations by highlighting four petitions for exemptions that represent a broad spectrum of BVLOS operations. After convening a small agency team of subject matter experts, in late May 2023 the FAA published several Federal Register Notices for the four exemption requests, as well as a broader policy notice, using the four petitions and the BVLOS Aviation Rulemaking Committee recommendations as a framework. These notices offered an opportunity for stakeholders to provide feedback and additional technical input on key concepts and potential approaches to inform the development of future policy. The FAA received over 400 comments from aviation stakeholders and has already begun to issue exemptions that address those comments. These exemptions will provide meaningful data that will be used to shape future policy, including current and future rulemaking efforts. Further, these BVLOS exemptions lay the groundwork to address future requests much more quickly, and the FAA expects other drone operators to seek similar and expanded relief, which will better inform the agency's integration efforts.

Climate Progress

QUICKENING THE PACE TO NET-ZERO GREENHOUSE GAS EMISSIONS

Aviation plays a crucial role in meeting U.S. climate objectives. In 2021, civil aviation contributed about 2.8 percent of total domestic CO_2 emissions in the United States. The United States Aviation Climate Action Plan released the same year sets a goal of net-zero greenhouse gas emissions from the aviation sector by 2050. The FAA is undertaking initiatives to accelerate achieving net-zero greenhouse emissions.

The Inflation Reduction Act of 2022 included $297 million for a competitive grant program to accelerate the production, transportation, blending, or storing of sustainable aviation fuel. It also supports the development, demonstration, or application of low-emission aviation technologies. As part of this effort, the FAA developed a new grant program, the Fueling Aviation's Sustainable Transition (FAST) program and its two components, FAST-SAF and FAST-Tech.

FAST-SAF focuses on accelerating the production and use of sustainable aviation fuels (SAF). Derived from renewable and waste sources, these fuels hold significant potential for substantially reducing greenhouse gas emissions. They will be critical to the aviation industry's ability to meet the net-zero emissions goal and they have the potential to slash emissions by up to 100 percent.

FAST-Tech aims to accelerate the development and demonstration of low-emission aviation technologies that align with U.S. aviation climate goals to reduce carbon emissions. FAST-Tech shares the goals of the SAF Grand Challenge. This government-wide challenge seeks to reduce the cost, enhance the sustainability, and expand the production and use of SAF. For more on this comprehensive strategy, see: **https://www.energy.gov/eere/bioenergy/sustainable-aviation-fuel-grand-challenge**.

FAST-SAF and FAST-Tech Programs complement existing climate programs such as the ASCENT Center of Excellence, the Commercial Aviation Alternative Fuels Initiative, and Continuous Lower Energy, Emissions and Noise (CLEEN) Programs. These programs are critical to achieving the SAF Grand Challenge's goal of supplying sufficient SAF to meet 100 percent of aviation fuel demand by 2050.

Terminal Flight Data Manager

FROM PAPER TO PIXELS

The FAA is using data to make air travel safer and more efficient. One way we accomplish this is through our Terminal Flight Data Manager (TFDM), a system that works with other FAA technologies to create a database of flight information on all surface traffic. As a plane takes off, this system tracks flight data. Fully deployed, TFDM information can be used for various applications, such as electronic flight strips.

To date, TFDM has enabled electronic flight strips at four air traffic control towers, and the agency plans to expand by seven to eight towers every year until FY 2029. For decades, air traffic controllers have used paper flight strips to track flights, but electronic flight strips have substantial benefits. Unlike paper strips, electronic flight strips can be updated in real-time, streamlining the flight-plan process and enabling data-sharing that allows for collaborative decision-making around surface movement. Electronic flight strips also make it easier for controllers to adapt to fluctuations in traffic volume, changing weather, and the

Controllers in the tower at Baltimore/Washington International Thurgood Marshall Airport.
FAA Photo by Jacob Kang

myriad of situations that regularly affect surface traffic control decisions.

TFDM's capabilities can be used to provide several different services. The next service is Surface Management, which will start with a departure scheduler that includes live data from current FAA systems and flight service providers. Fully understanding the Flight Schedule for the airport will be the first step to providing a full surface departure metering capability, runway balancing and other surface-management tools.

Looking Ahead

Reimagining What's Possible

From the first controlled, powered flight on a humble sand dune on the Outer Banks of North Carolina to the network of air traffic that spans the globe and even extends beyond it, aviation is always changing. The last few years, especially, have shown that innovation remains at the core of aviation.

The FAA works tirelessly to match industry's innovation. Through implementation of the recent part 450, the FAA has streamlined how it processes launch and reentry licenses for commercial space operations. Part 450 represents a complete overhaul of the FAA licensure of commercial space launches and consolidates four prescriptive rules into one performance-based standard. This effort is already paying dividends. The commercial space industry continues to increase its launch cadence, with 113 launches and reentries from 14 licensed spaceports in FY 2023. The FAA also licensed the first commercial space operation from the United Kingdom with Virgin Orbit's January 9 launch from Spaceport Cornwall. Future space launches will only become more numerous and more complex. Once an exclusively government-led enterprise, human spaceflight is now open to commercial space operators and private individuals.

The FAA is responsible for protecting the public on the ground and in the nation's skies, but federal law currently prohibits the FAA from regulating the safety of individuals on board spacecraft. This is set to change when a legislative moratorium on such regulations, established in 2004, expires on December 31, 2023. In preparation for this new responsibility, in April 2023 the FAA created an advisory and rulemaking committee to collaborate with industry on the development of future regulations for commercial human spaceflight occupant safety. The Aerospace Rulemaking Committee, commonly referred to as a SpARC, will submit a recommendation report in the summer of 2024.

Advanced Air Mobility (AAM), which includes highly automated and electric aircraft, is another rapidly evolving segment of aviation. AAM aircraft, often referred to as air taxis or electric Vertical Takeoff and Landing (eVTOL)

aircraft, offer unique benefits and challenges to the FAA. The agency has deployed multiple offices to accelerate AAM integration into the national airspace system. In July 2023, the FAA issued a final rule, adding powered-lift operations to existing regulations that cover other commercial operations, such as airlines, charters, and air tours. The FAA also released the Innovate 28 plan to implement AAM operations at-scale at one or more sites by 2028. The plan, which can be found at **https://www.faa.gov/sites/faa.gov/files/AAM-I28-Implementation-Plan.pdf**, includes milestones covering safe vertiport design, safe handling of batteries and rapid charging stations, and methods for providing special AAM corridors to manage air traffic. Integrating AAM into the national airspace will require the collective efforts of multiple government agencies, industry, and other key stakeholders.

Amidst these changes, the FAA itself is undergoing transformation. The current FAA Reauthorization bill, which grants the FAA the authority to carry out its mission, will expire on December 31, 2023. This presents an essential opportunity for the Administration and Congress to provide strategic focus for FAA's priorities and activities. Both chambers of Congress are working on versions of an FAA Reauthorization bill, and both versions incorporate many of the Biden-Harris Administration's reauthorization proposals.

In the face of rapid change, the FAA stands ready to tackle forthcoming challenges with agility and determination.

SpaceX Crew Dragon spacecraft in low-Earth orbit.
Photo illustration by Paopano/Adobe Stock

The FAA William J. Hughes Technical Center

The FAA William J. Hughes Technical Center (Technical Center) in Atlantic City, New Jersey, is the nation's premier air transportation system laboratory. Its diverse, technical workforce and world-class laboratories provide a state-of-the-art environment for the research, engineering, development, testing, and evaluation of advanced technologies. The Technical Center provides unparalleled support for next-generation operational capabilities that will continue to modernize the nation's airspace system—the safest, most efficient aviation system in the world.

In FY 2023, the Technical Center continued to bring its practiced analysis and innovation to bear on multiple industry challenges. In doing so, the Technical Center concentrated on five focus areas: (1) advancing aviation technology, (2) cultivating a qualified aviation workforce of the future, (3) partnering with government agencies and other entities, (4) capitalizing on outreach to other entities by building and sharing Technical Center capabilities, and (5) advancing the core work of the Technical Center. Noteworthy accomplishments from FY 2023 are described below.

The Technical Center supports the safe integration of Advanced Air Mobility (AAM) concepts. AAM envisions an automated air transportation system using new aircraft types in places underserved by aviation. Technical Center personnel have begun developing a research Test and Evaluation Master Plan for the safe integration of AAM into the national airspace system. Test personnel collaborate across the FAA, and with other stakeholders, to conduct modeling and simulation to validate AAM use cases. This approach will identify risks to future operations.

The Technical Center Airport Modeling and Simulation branch completed seven tower sitings for airports listed in the Bipartisan Infrastructure Law. Representatives from airports, air traffic controllers, and FAA terminal facility engineers worked with Technical Center personnel to apply simulation, modeling, and virtual reality capabilities to site tower locations and tower design layouts.

The Technical Center's ISO Certified test and evaluation services provide verification and validation for the implementation of FAA systems, services, and capabilities. The Technical Center's test teams provided quality test and evaluation services across 80 priority acquisition programs.

The FAA's Technology Transfer program at the Technical Center continues to shape the aviation landscape in ways that benefit the American public. The program channels federally funded research and development into the private sector. Through strategic partnerships with

FAA employees working via a simulation in the Airway Facilities Tower Integration Laboratory at the Technical Center.
FAA photo

Students exploring Aviation STEM Day at the Technical Center.
FAA photo

industry leaders, this program advances alternative radar systems, develops computer models to improve airspace efficiency, and creates a robust framework to safely integrate new vehicles into our cities.

At the Air Traffic Controllers Association conference, the Technical Center helped envision the use of an info-centric national airspace system and discussed the FAA's pursuit of that vision. This panel of experts from industry, the FAA, and NASA answered audience questions on transition timelines, technologies, and workforce adaptation.

The Technical Center Imaging Technologies organization finalized 18 videos for a new interactive display on airport research. These videos highlighted UAS at airports, electric propulsion, pavement design, and human-machine teaming. See one of the videos, UAS Applications at Airports, at **https://youtu.be/f3hzAkEYpgU**.

The FAA Technical Center's fire safety researchers were recognized by the International FORUM of Fire Research Directors for contributions to the science of fire engineering. The FORUM praised the FAA Team's long-range research to understand the origins of flammability at the molecular level, which enabled the development of lightweight, ultra-fire-resistant materials for aircraft interiors. The FORUM acknowledged the development of the Microscale Combustion Calorimeter as the technology that enables molecular engineering of lightweight limited-combustibility materials. This technology is used worldwide by standards and research organizations, polymer producers, material suppliers, and aircraft manufacturers.

Throughout FY 2023, the FAA also worked closely with the Department of Defense on the research to develop a per- and polyfluoroalkyl substances (PFAS)-free, fluorine-free foam (F3). On January 6, 2023, the Department of Defense published a new F3 military specification. Following its release, and at the direction of Congress, on May 6, 2023 the FAA published an Aircraft Firefighting Foam Transition Plan. This was a critical step in addressing environmental and public health concerns related to certain chemicals contained in the firefighting foam used by both military and civilian airports in the United States. The FAA has played a key leadership role in identifying and evaluating alternative firefighting agents, working closely with the Department of Defense, the Environmental Protection Agency, and other key stakeholders.

The Technical Center Aviation and Space Education Program has coordinated more than 80 outreach events, including more than 50 visits to schools and homeschool co-ops to present lessons and support school-sponsored science, technology, engineering, and mathematics (STEM) expos and career days. Through these events, this program has reached approximately 6,000 students and 300 educators.

Performance Highlights

The FAA is responsible for the safety and efficiency of the nation's aerospace system. We maintain the system's integrity by enforcing safety regulations and overseeing the civil aviation industry. In our comprehensive planning, regular reporting, and constant reappraisal of our work, we have designed a strong, cyclical system that evaluates and reinforces the link between the expenditure of our resources and our performance.

Managing Performance

To manage our organizational performance, we follow a four-step process based on best practices borrowed from private and public-sector organizations:

- **Set Goals**
- **Plan, Work, and Budget**
- **Monitor Work**
- **Assess Results**

Each year we improve this process by adopting new technologies that support our overall strategy.

SET GOALS

The first step in managing our performance is to consult with management, employees, and other stakeholders to identify where we can improve. This includes looking at near-term priorities and long-standing challenges. From here, goals, performance measures, targets, and initiatives are laid out in business plans developed by each of the FAA's lines of business and staff offices.

PLAN, WORK, AND BUDGET

Next, we focus on planning. This begins with a review of the resources we will need to achieve our goals. We develop a budget through a series of steps to determine where a program stands, where it is going (i.e., reasonable expectations for progress), and what else can be done (i.e., alternative approaches) to achieve our objectives. One of the basic objectives of the budget formulation process is to ensure that decision-makers have the information they need to determine how to best allocate resources to achieve our goals.

Our complete FY 2023 Congressional Justification can be found at: **https://www.transportation.gov/mission/budget/faa-cj-fy-2023-estimates**.

The FAA also has a section in a DOT-prepared document that provides highlights of the FY 2023 budget request. This document can be found at: **https://www.transportation.gov/mission/budget/fiscal-year-2023-budget-highlights**.

MONITOR WORK

The third step in our process occurs in the regular monitoring of our performance. Our governance model helps us streamline performance management at the executive level. This model includes two groups—a Management Board and a Deputy's Meeting.

The Management Board provides strategic direction for critical priorities. This includes setting agency goals and making annual budget and financial decisions. The Board is the highest deliberative body in the agency, and it is the primary forum to assist the Administrator in setting the agency's direction.

The Deputy's Meeting helps the Deputy Administrator monitor all operational activities conducted by the FAA (e.g., workforce, IT, and air traffic facilities). The Deputy's Meeting refers significant internal issues to the Management Board as needed.

These two groups provide clear pathways for executive-level decisions and monitoring the agency's performance. The groups clarify decisions across the FAA and communicate decisions through senior leadership.

ASSESS RESULTS

Assessing results is the final, critical step in the performance management process. In assessing results, the agency can learn from past performance and improve outcomes. Over the past several years, our processes have continued to mature, we have sharpened our focus, and the number and mix of our performance targets have changed. These targets are monitored monthly and reviewed yearly to ensure that we are on track to meet future challenges.

Performance Goals

The FAA strategic plan, called Flight Plan 21st Century, outlines strategic goals and objectives for FY 2022 through FY 2026. The FAA's strategic goals align with the DOT's strategic plan. The FAA's strategic plan describes overarching, long-term goals, as well as the actions it will take to realize those goals. In alignment with the Administrator's vision, the agency's strategic goals are Safety, People, Global Leadership, and Operational Excellence. Innovation is at the foundation of each strategic goal and leads to the development of advanced aerospace capabilities that improve the safety and performance of our nation's aerospace system. The strategic plan is found here: **https://www.faa.gov/about/plans_reports/**.

Each of the FAA's annual performance measures follows one of the long-term goals described in the agency's strategic plan.

- **Safety:** Oversee and operate the safest aerospace system in the world, all with a culture of continuous improvement. This year, the FAA successfully achieved all six performance measures related to Safety. For more information, please see page 48.
  - **Objective — Safety and Security Risk Management:** Ensure a formalized and proactive approach to aviation safety by identifying, monitoring, assessing, and managing safety and security risks through enhanced access to data and analytics, informed risk-based decision-making, improved safety metrics and security measures, and increased system safety awareness and performance.
    - Commercial Air Carrier Fatality Rate
    - Commercial Surface Safety Risk Index
    - Non-Commercial Surface Safety Risk Index
    - General Aviation Fatal Accident Rate
    - Commercial Space Licensed and Permitted Launch and Reentry Safety
  - **Objective — Emerging Entrants:** Enable the safe and timely integration of new entrants (unmanned aircraft, commercial space, urban/advanced air mobility, human spaceflight, etc.) into the national airspace to keep pace with advancing technologies and developments, while maintaining a safe and secure aerospace system that serves as a world model.
    - FAA Advanced Air Mobility (AAM) Implementation Plan
- **People:** Strengthen our current and future aviation workforce by holding ourselves accountable, developing our people, and planning for the aviation workforce of the future. This year, the FAA successfully achieved all three performance measures related to People. For more information, please see page 58.
  - **Objective — Diversity, Equity, Inclusion, and Accessibility:** Ensure a more conscious and inclusive culture that embraces the diverse talents of employees, ensures fair and equitable treatment, and advances broader gains in diversity, equity, inclusion, and accessibility.
    - Hiring Persons with Disabilities/Persons with Targeted Disabilities
    - DEIA Inclusive Language Implementation
  - **Objective — Human Capital Management:** Develop an agency-wide workforce planning and engagement strategy, including the implementation of a new DEIA plan to support the FAA's mission.
    - Air Traffic Controller Specialist Hiring
- **Global Leadership:** Advance global aviation safety, operational excellence, and innovation by leading and collaborating with aviation authorities globally. This year, the FAA successfully achieved both performance measures related to Global Leadership. For more information, please see page 63.
  - **Objective — Global Training and Outreach:** Develop and modernize the FAA International Training program to improve the effectiveness of our technical assistance and consistently meet the needs of our international stakeholders.
    - Develop FAA International Outreach and Training
  - **Objective — Enterprise Global Leadership Approach:** Foster an FAA enterprise approach to the prioritization of FAA international engagements.
    - Global Leadership on Aviation and Climate Change
- **Operational Excellence:** Operate the world's most efficient aerospace system through daily execution, continuous improvement, and infrastructure investment. This year, the FAA successfully achieved all six performance measures related to Operational Excellence. For more information, please see page 67.
  - **Objective — Mission Efficiency and Support:** Optimize efficiency and support mission requirements through daily execution, continuous

improvement, planning, and investment. Effectively plan for and manage finances, procurement, information technology, and other mission support services.

- Critical Acquisition Milestones on Schedule
- Ensure Runway Pavement is Kept in a Safe and Serviceable Condition
- Obtain Unmodified Audit
- Bipartisan Infrastructure Law — 30x30

- **Objective — Climate, Noise, and Sustainability:** Lead aviation sector efforts to improve sustainability, mitigate the effects of aviation noise, and reduce emissions.
  - Sustainability — FAA Facilities and Operations
  - Aircraft Noise

Performance at a Glance

Our FY 2023 performance is summarized in the following tables and discussed in detail in the Performance Results section, which starts on page 47. The measures are grouped according to the FAA's strategic goals. In FY 2023, the FAA achieved all 17 performance targets. The FAA has noted the measures for which the data provided are preliminary. A discussion of the methods used to validate the reporting performance information begins on page 74.

SAFETY
Oversee and operate the safest aerospace system in the world, all with a culture of continuous improvement.

Performance Measure	Lead	FY 2020 Results	FY 2021 Results	FY 2022 Results	FY 2023 Target	FY 2023 Results	FY 2023 Status
Commercial Air Carrier Fatality Rate* Reduce the commercial air carrier fatalities per 100 million persons on board U.S. carriers by 50% over 18-year period – FY 2008-2025. Target for FY 2023 is 4.9.	AVS	0.9	0.0	1.4	4.9	0.1[1]	✓
Commercial Surface Safety Risk Index Maintain the weighted surface safety risk index at or below 0.38 per million operations for Commercial Aviation.	ATO	0.07	0.10	0.12	0.38	0.06[1]	✓
Non-Commercial Surface Safety Risk Index Maintain the weighted surface safety risk index at or below 1.39 per million airport operations for non-commercial aviation.	ATO	0.41	0.40	0.27	1.39	0.37[1]	✓
General Aviation Fatal Accident Rate* Reduce the general aviation fatal accident rate to no more than 0.89 fatal accidents per 100,000 flight hours by 2028. FY 2023 Target: 0.94.	AVS	0.91	0.73	0.86	0.94	0.76[2]	✓
Commercial Space Licensed and Permitted Launch and Reentry Safety No fatalities, serious injuries, or significant property damage to the uninvolved public during licensed or permitted space launch and reentry activities.	AST	0	0	0	0	0	✓
FAA Advanced Air Mobility (AAM) Implementation Plan Develop a singular implementation plan that incorporates all of the agency work streams that must be completed in order to enable initial AAM services in the national airspace system.	ANG	New Measure for FY 2023	New Measure for FY 2023	New Measure for FY 2023	Meet three targets	Met three targets	✓

* This performance measure supports a DOT Agency Priority Goal.

✓ Target met ✗ Target not met

1 Preliminary estimate until final results are available in March 2024. We do not expect any change in the final result to be significant enough to alter our year-end status of achieving the target.

2 Preliminary estimate until final results are available in December 2023. We do not expect any change in the result to be significant enough to alter our year-end status of achieving the target.

PEOPLE
Strengthen our current and future aviation workforce by holding ourselves accountable, developing our people, and planning for the aviation workforce of the future.

Performance Measure	Lead	FY 2020 Results	FY 2021 Results	FY 2022 Results	FY 2023 Target	FY 2023 Results	FY 2023 Status
Hiring Persons with Disabilities (PWD)/ Persons with Targeted Disabilities (PWTD) ACR will lead collaboration between all FAA lines of business and staff offices to increase the representation of PWD/PWTD in the FAA workforce by 1% each year for the next three years (from FY 2022).	ACR	New Measure for FY 2022	New Measure for FY 2022	Met all targets	Meet four targets	Met four targets	✓
Air Traffic Controller Specialist (ATCS) Hiring Consistent with Air Traffic Controller Workforce Plan, hire at least 1,500 air traffic controllers in FY 2023.	ATO	New Measure for FY 2023	New Measure for FY 2023	New Measure for FY 2023	1,500	1,512	✓
DEIA Inclusive Language Implementation To ensure a diverse, equitable, and inclusive environment, the agency must implement its inclusive language policy and order.	ACR	New Measure for FY 2022	New Measure for FY 2022	Met all targets	Meet three targets	Met three targets	✓

✓ Target met ✗ Target not met

GLOBAL LEADERSHIP
Advance global aviation safety, operational excellence, and innovation by leading and collaborating with aviation authorities globally.

Performance Measure	Lead	FY 2020 Results	FY 2021 Results	FY 2022 Results	FY 2023 Target	FY 2023 Results	FY 2023 Status
Develop FAA International Outreach and Training Create OneFAA international training processes.	APL	Updated Measure for FY 2023	Updated Measure for FY 2023	Updated Measure for FY 2023	Meet two targets	Met two targets	✓
Global Leadership on Aviation and Climate Change Demonstrate continued global leadership on climate change through international engagement, action at the International Civil Aviation Organization, and execution of the U.S. Aviation Climate Action Plan.	APL	Updated Measure for FY 2023	Updated Measure for FY 2023	Updated Measure for FY 2023	Meet two targets	Met two targets	✓

✓ Target met ✗ Target not met

OPERATIONAL EXCELLENCE
Operate the world's most efficient aerospace system through daily execution, continuous improvement, and infrastructure investment.

Performance Measure	Lead	FY 2020 Results	FY 2021 Results	FY 2022 Results	FY 2023 Target	FY 2023 Results	FY 2023 Status
Critical Acquisition Milestones on Schedule 90% of the critical acquisition milestones are achieved by their scheduled due dates.	AFN	97%	93%	96%	90%	97.7%	✓
Ensure runway pavement is kept in a safe and serviceable condition* Maintain eligible runway pavement in Excellent, Good, or Fair condition (based on visual inspections) for 93% of the paved runways in the National Plan of Integrated Airport Systems.	ARP	97.9%	97%	97.6%	93%	97.6%	✓
Sustainability – FAA Facilities and Operations Demonstrate leadership on climate and sustainability by increasing the energy efficiency of FAA facilities and reduce the overall carbon footprint of the FAA.	APL	New Measure for FY2022	New Measure for FY2022	Met all targets	Meet target	Met target	✓
Obtain Unmodified Audit Obtain an unmodified audit opinion on the FAA's FY 2023 financial statements identified by external independent auditors.	AFN	Unmodified audit opinion	Unmodified audit opinion	Unmodified audit opinion	Unmodified audit opinion	Unmodified audit opinion	✓
Aircraft Noise Lead efforts in collaboration with aviation stakeholders to address aircraft noise in the United States and ensure up-to-date and effective noise policies.	APL	New Measure for FY2023	New Measure for FY2023	New Measure for FY2023	Meet two targets	Met two targets	✓
Bipartisan Infrastructure Law - 30x30 Complete construction on a total of 30 staffed Air Traffic Control Towers by 2030.	ATO	New Measure for FY2023	New Measure for FY2023	New Measure for FY2023	Award Contract for Tower Design Initiative	Awarded Contract	✓

* This performance measure supports a DOT Agency Priority Goal.

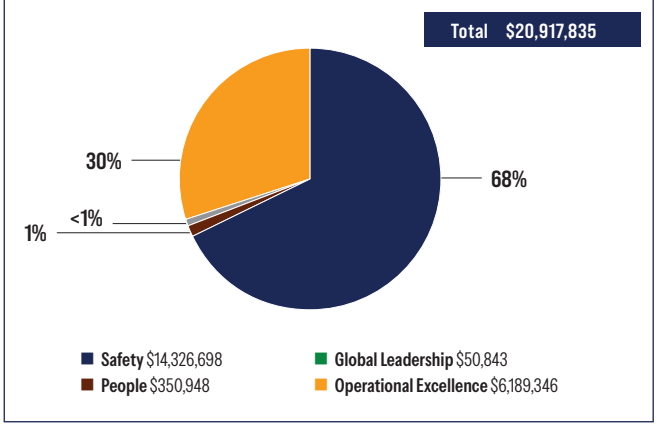
✓ Target met ✗ Target not met

Alignment of FAA Costs and Strategic Goals

The FAA uses a cost accounting system to track and summarize costs by organizational unit and project. This enables the FAA to evaluate whether its spending is in alignment with the agency's four strategic goals. At the beginning of each project, the FAA determines the degree to which the project will contribute to one or more of the strategic goals. The FAA then allocates actual project costs to the strategic goals that are supported by the project. Because the FAA also routinely accumulates costs by organizational unit, it is able to assign total net costs among its five lines of business and the combined staff offices, by strategic goal.

The FAA's total net cost of $20.9 billion was allocated to its four strategic goals, as described below and as shown in the *Net Cost by Strategic Goal* chart on this page, and in Note 14 of the financial statements.

NET COST BY STRATEGIC GOAL
as of September 30, 2023
(Dollars in Thousands)



Safety. A little more than $14.3 billion, or approximately 68 percent of total net cost, was devoted to further enhance the outstanding safety record of the nation's airspace.

- The Air Traffic Organization (ATO) spent approximately $11.3 billion, largely to maintain the safe separation of aircraft in the air and on the ground.
- The Office of Airports (ARP) provided approximately $1.1 billion for projects to preserve or enhance safety.
- The Aviation Safety (AVS) line of business spent just over $1.9 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) line of business spent approximately $73 million on programs to ensure critical infrastructure protection, emergency operations, contingency planning, and the safe transportation of hazardous materials in air commerce.
- The Office of Commercial Space Transportation (AST) spent a little more than $39 million in support of the agency's safety goal.
- Collectively, the FAA staff offices and other programs spent about $53 million to further support the agency's safety goal which was offset by revenues of $192 million primarily from overflight user fees, along with revenues from reimbursable agreements.

People. As a whole, the FAA committed approximately $351 million to strengthen the agency's ability to fulfill its safety, operational excellence, and global leadership goals through a highly diverse, engaged, and skilled workforce.

Global Leadership. Approximately $51 million was used to help the U.S. reassert its global influence and bolster its reputation as the world's leader in aviation safety.

Operational Excellence. A little less than $6.2 billion, or about 30 percent of total net costs, was assigned to invest in better technologies that improve efficiency, while concurrently sustaining the existing infrastructure of the national airspace system.

- The ATO spent a little more than $2.2 billion, largely to finance its facilities and equipment projects.
- ARP also provided approximately $3.7 billion to build or reconstruct core airfield infrastructure projects involving runways, taxiways, and terminals to help sustain the operational excellence of U.S. airports.

Financial Highlights

Discussion and Analysis of the Financial Statements

The FAA prepares annual financial statements in conformity with accounting principles generally accepted in the United States. The financial statements are subject to an independent audit to ensure that they are free from material misstatement and that they can be used to assess the FAA's performance.

FY 2023 FINANCIAL STATEMENTS AUDIT

The Chief Financial Officers Act of 1990 (Public Law 101–576), as amended by the Government Management Reform Act of 1994, requires that financial statements be prepared by certain agencies and commercial-like activities of the federal government and that the statements be audited in accordance with Generally Accepted Government Auditing Standards. The FAA is required to prepare its own financial statements under Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*. The Department of Transportation's (DOT) Office of Inspector General (OIG) is statutorily responsible for the manner in which the audit of the FAA's financial statements is conducted. The OIG selected KPMG LLP, an independent public accounting firm, to audit the FAA's FY 2023 financial statements.

KPMG LLP has rendered an unmodified audit opinion on the FAA's FY 2023 financial statements.

UNDERSTANDING THE FINANCIAL STATEMENTS

The FAA's Consolidated Balance Sheets, Statements of Net Cost, Changes in Net Position, and Combined Statements of Budgetary Resources have been prepared to report the financial position and results of operations of the FAA, pursuant to the requirements of the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. A brief description of (a) the nature of each financial statement and its relevance to the FAA, (b) significant fluctuations from FY 2022 to FY 2023, and (c) certain significant balances, where necessary, to help clarify their link to the FAA's operations follows the sections describing the Infrastructure Investment and Jobs Act and Continued Financial Impact of COVID-19.

INFRASTRUCTURE INVESTMENT AND JOBS ACT

The Infrastructure Investment and Jobs Act (IIJA) (Public Law 117-58), also known as the Bipartisan Infrastructure Law, provides additional grant funding, up to $3 billion per year from FY 2022 through FY 2026, for airport infrastructure projects as defined under the existing Airport Improvement Grant and Passenger Facility Charge criteria. The money can be invested in runways, taxiways, safety and sustainability projects, as well as terminal, airport-transit connections and roadway projects. From the $3.0 billion of appropriations received in FY 2023 and FY 2022, approximately $609 million and $1.37 billion, respectively, has been obligated for airport infrastructure projects throughout the nation as of September 30, 2023.

The IIJA also provides additional grant funding, up to $1 billion per year from FY 2022 through FY 2026, for airport terminal development projects to address the aging infrastructure at the nation's airports. From the $1.0 billion of appropriations received in FY 2023 and FY 2022, approximately $910 million and $978 million, respectively, has been obligated for airport terminal development projects throughout the nation as of September 30, 2023.

The IIJA also provides additional facilities and equipment funding, up to $1 billion per year from FY 2022 through FY 2026, to be used for a broad range of facilities and equipment projects which includes, for example, replacing terminal and en route air traffic control facilities and improving air route traffic control center and combined control facility buildings. From the $1.0 billion of appropriations received in FY 2023 and FY 2022, approximately $166 million and $635 million, respectively, has been obligated for facilities and equipment projects throughout the nation as of September 30, 2023. These funds remain available until expended.

CONTINUED FINANCIAL IMPACT OF COVID-19

While there was no new funding related to COVID-19 in FY 2023, the FAA continued to obligate and spend the funds remaining from the FY 2021 and FY 2020 COVID-19 related appropriations. Note 20 on page 131 provides more detailed information on the status of the remaining COVID-19 related funding.

Balance Sheet

The balance sheet presents the amounts available for use by the FAA (assets) against the amounts owed (liabilities) and amounts that comprise the difference (net position).

ASSETS

The FAA's assets are the resources available to pay liabilities or satisfy future service needs. The following table presents a comparison of key asset measures as of September 30, 2023 and 2022:

(Dollars in Thousands)	2023	Percent	2022	Percent	Increase/ (Decrease)
Assets					
Fund balance with Treasury	$ 17,138,803	35	$ 17,227,884	40	$ (89,081)
Investments, net	19,135,876	39	13,211,744	31	5,924,132
General property, plant and equipment, net	11,803,546	24	11,545,951	27	257,595
Other assets	1,032,821	2	1,042,949	2	(10,128)
Total assets	$ 49,111,046	100	$ 43,028,528	100	$ 6,082,518

Fund balance with Treasury consists of funding available through the Department of Treasury accounts from which the FAA is authorized to make expenditures to pay liabilities. Its balance is made up of undisbursed amounts from general fund appropriations and AATF drawdown transfers along with passenger ticket and other excise taxes deposited to the AATF but not yet invested.

Fund balance with Treasury represents 35 percent of the FAA's current period assets and ended the year at $17.14 billion compared to $17.23 billion in FY 2022. The year over year net change among all accounts was a slight decrease of $89 million. However, the changes in the balances for IIJA accounts and the COVID-19 related accounts were significant. In FY 2023, the FAA received an additional $5.0 billion in general fund appropriations from the IIJA which increases the fund balance with Treasury in these accounts. The increase was slightly offset by expenditures totaling $736 million, resulting in a net increase of $4.26 billion. The balances for the COVID-19 related accounts decreased $4.50 billion from $6.71 billion to $2.21 billion as the activity in these accounts continues to wind down. The effect of the changes in the IIJA and COVID-19 related account balances was a net decrease of $237 million.

At $19.14 billion, *Investments, net* represent 39 percent of the FAA's current period assets and consist of AATF investments and Aviation Insurance Program investments. The AATF investments as of September 30, 2023 are $16.69 billion and are derived primarily from the collection of passenger ticket and other excise taxes deposited semi-monthly to the AATF. The deposited taxes are invested within several business days, thus transitioning the asset classification from fund balance with Treasury to investments. The net excise tax revenue, interest, and refunds of $22.53 billion in FY 2023 and an increase of $23 million in the uninvested cash balance at year end were offset by AATF drawdowns of $16.77 billion, resulting in an increase in the AATF balance of $5.85 billion.

The investment balances also include the Aviation Insurance Program investments. These investments are redeemed, as needed, to finance the FAA's daily operations to the extent authorized by the U.S. Congress, and to pay potential insurance claims. The Aviation Insurance Program investments increased by $79 million from $2.36 billion to $2.44 billion primarily from reinvested interest earnings.

At $11.8 billion, *General property, plant, and equipment, net* (PP&E) represents 24 percent of the FAA's assets as of September 30, 2023, and primarily comprises construction in progress related to the development of the national airspace system assets, and capitalized real and personal property. There was an increase of $258 million in the total composition of PP&E, as new purchases of equipment and additions to construction in progress exceeded retirements, disposals, revaluations, and depreciation through the normal course of business.

LIABILITIES

Liabilities are probable and measurable future outflows of resources arising from past transactions or events. The following table presents a comparison of key liability measures as of September 30, 2023 and 2022:

(Dollars in Thousands)	2023	Percent	2022	Percent	Increase/ (Decrease)
Liabilities					
Accrued grant liabilities	$ 3,243,824	46	$ 6,640,832	65	$ (3,397,008)
Federal employee benefits payable	1,236,803	18	1,246,691	12	(9,888)
Environmental and disposal liabilities	857,168	12	783,215	8	73,953
Accounts payable	518,948	7	469,367	4	49,581
Other liabilities	1,180,147	17	1,154,222	11	25,925
Total liabilities	$ 7,036,890	100	$ 10,294,327	100	$ (3,257,437)

The FAA's *Accrued grant liabilities* are estimated amounts incurred, but not yet claimed, by Airport Improvement Program (AIP) grant recipients and represent 46 percent of liabilities. *Accrued grant liabilities* decreased by $3.4 billion to $3.2 billion as of September 30, 2023. The decrease primarily consists of a decrease in year end grants payable accruals totaling $3.7 billion for ARPA, CRRSAA, and the CARES Act, offset by an increase of $259 million in the accrued grants payable liability for the AIP program including IIJA and letters of intent grants.

At $1.2 billion, *Federal employee benefits payable* remained mostly unchanged and represents 18 percent of the FAA's current year liabilities and primarily consists of $666 million for the actuarial Federal Employees' Compensation Act (FECA) liability and $506 million for unfunded leave liabilities. The actuarial FECA liability is the FAA's expected liability for death, disability, and medical costs for approved workers' compensation cases, plus a component for claims incurred but not yet reported. 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 and disposal liabilities represent 12 percent of the FAA's total liabilities and increased by $74 million to $857 million as of September 30, 2023 compared to $783 million a year earlier. *Environmental and disposal liabilities* include a component for remediation of known contaminated sites that increased by $8 million on a comparative basis. The other component of environmental liabilities includes the estimated costs that will be incurred to remove, contain, and/or dispose of hazardous materials when an asset presently in service is shutdown. This component's costs increased by a total of $66 million on a comparative basis.

Accounts payable represents 7 percent of liabilities and increased by $50 million to $519 million. Accounts payable are the amounts the FAA owes to other entities for unpaid goods and services received.

At $1.2 billion, *Other liabilities* represents 17 percent of the FAA's total liabilities. These liabilities increased slightly by $26 million year over year and mainly consist of $361 million in advances from others and deferred revenue, $140 million in Federal Employee's Compensation Act payable, $533 million in accrued payroll, leave and benefits, $51 million in legal claims liability, and $32 million in capital lease liability.

Statement of Net Cost

The Statement of Net Cost presents the cost of operating the FAA's programs. The gross expense, less any earned revenue, represents the net cost of specific program operations. The FAA has used its cost accounting system to prepare the annual Statement of Net Cost since FY 1999. In contrast to the budgetary basis of accounting applicable to the Statement of Budgetary Resources discussed in Note 1D (page 97), balances reported on the Statement of Net Cost are reported on an accrual accounting basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred.

The following table presents a comparison of the FAA's net costs by line of business for the years ended September 30, 2023 and 2022:

(Dollars in Thousands)	2023	Percent	2022	Percent	Increase/ (Decrease)
Net costs					
Air Traffic Organization	$ 13,706,226	66	$ 12,960,814	57	$ 745,412
Airports	5,033,320	24	7,856,851	34	(2,823,531)
Aviation Safety	1,972,366	9	1,810,704	8	161,662
Security and Hazardous Materials Safety	88,821	<1	129,917	<1	(41,096)
Commercial Space Transportation	47,499	<1	39,405	<1	8,094
Non-line of business programs	69,603	<1	70,005	<1	(402)
Total net cost	$ 20,917,835	100	$ 22,867,696	100	$ (1,949,861)

With a net cost of $13.7 billion, the *Air Traffic Organization* is the FAA's largest line of business, comprising 66 percent of total net costs. The Air Traffic Organization's net costs increased by $745 million, on a comparative basis, primarily from increases in costs for contractor services, labor, employee benefits, rent, utilities, travel, transportation, material, and supplies.

The *Airports* line of business net cost decreased by $2.82 billion from $7.85 billion to $5.03 billion for the fiscal year ended September 30, 2023, and represents 24 percent of the FAA's total net costs. Airport's net costs consist mostly of grants, referred to as Stewardship Investments, from the Airport Improvement Program. The Stewardship Investments are made to airport authorities, local and state governments, and metropolitan planning authorities for airport facilities throughout the United States and its territories. The decrease of grants expenses in FY 2023 is largely due to COVID-19 funds. These programs continue to wind down and most of the funds were already expensed in prior years.

At $1.97 billion, the net cost for *Aviation Safety* represents 9 percent of the FAA's total net costs, while *Security and Hazardous Materials Safety*, *Commercial Space Transportation*, and *non-line of business programs* each represent less than 1 percent of total net costs.

Statement of Changes in Net Position

The Statement of Changes in 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 following table presents a comparison of key measures of net position for the years ended September 30, 2023 and 2022:

(Dollars in Thousands)	2023	2022	Increase/ (Decrease)	Percent Change
Changes in net position				
Unexpended appropriations, ending	$ 11,838,550	$ 7,927,839	$ 3,910,711	49
Cumulative results of operations, ending	30,235,606	24,806,362	5,429,244	22
Net position	$ 42,074,156	$ 32,734,201	$ 9,339,955	29

Unexpended appropriations increased from $7.9 billion to $11.8 billion. The $3.9 billion increase mostly consists of $7.5 billion in appropriations received in FY 2023 offset by $3.5 billion in appropriations used. Appropriations received in FY 2023 consist of $1.9 billion in general fund appropriations for Operations, $5.0 billion from IIJA, and $559 million for Grants-in-Aid for Airports. The appropriations used primarily consist of $1.1 billion from current year Operations funding and $897 million used from prior years Operations funding along with $849 million used from IIJA funding and $628 million used from ARPA funding.

The *Net Change* in FAA's *Cumulative results of operations* for the fiscal year ended September 30, 2023, was an increase of $5.4 billion from $24.8 billion to $30.2 billion. The $5.4 billion increase primarily consists of $3.5 billion in appropriations used and $22.6 billion in non-exchange revenue offset by a net cost of $20.9 billion. The appropriations used are described in the earlier discussion of *Unexpended appropriations*. The non-exchange revenue is almost entirely from aviation excise tax collections and interest earned on AATF investments.

Statement of Budgetary Resources

The Statement of Budgetary Resources provides information on the budgetary resources available to the FAA and the status of those budgetary resources. The following table presents a comparison of key budgetary resource measures for the years ended September 30, 2023 and 2022:

(Dollars in Thousands)	2023	2022	Increase/ (Decrease)	Percent Change
Budgetary resources				
Total budgetary resources	$ 46,360,496	$ 41,049,546	$ 5,310,950	13
New obligations and upward adjustments	$ 34,306,979	$ 30,275,337	$ 4,031,642	13
Agency outlays, net	$ 23,806,421	$ 23,061,456	$ 744,965	3

The FAA's *Total budgetary resources* consist of new budget authority and unobligated balances of budget authority provided in previous years. New budget authority consists of the enacted budget, as well as other funding sources made available which are not provided through the enactment of annual appropriations. This also includes expenditure transfers of resources between federal fund types, which reflect the resources in both the enacted account and the program account to which they are transferred.

Total budgetary resources for the fiscal year ended September 30, 2023 were $46.4 billion, of which $35.0 billion of new budget authority comes from appropriations, contract authority, and spending authority from offsetting collections. The appropriations of $20.6 billion include the

annual funding for Operations, Facilities and Equipment, Research, Engineering and Development, and Grants-in-Aid to Airports totaling $15.6 billion. There are additional supplemental appropriations of $5.0 billion for Facilities and Equipment ($1 billion), Airport Infrastructure Grants ($3 billion), and Airport Terminal Program Grants ($1 billion). Contract authority remained constant at $3.4 billion. Spending authority from offsetting collections increased by $3.8 billion to $11.0 billion which primarily reflects the increase in the amount derived from the AATF for Operations.

New obligations and upward adjustments result from an order placed, contract awarded, service received, or similar transaction which will require payments during the same or a future period, and also includes expenditure transfers between FAA accounts. *New obligations and upward adjustments* increased $4.0 billion from $30.3 billion to $34.3 billion. The increase is mostly due to the increase in the amount derived from the AATF for Operations.

Outlays, net reflects the actual cash disbursed by the Treasury for the FAA's obligations net of offsetting collections. *Agency outlays, net* is the sum of *Outlays, net* less *Distributed offsetting receipts*. In FY 2023, *Agency outlays, net* increased from $23.1 billion to $23.8 billion.

OTHER MATTERS

Limitations of the Financial Statements

The principal financial statements are prepared to report the financial position, financial condition, and results of operations, consistent with the requirements of 31 U.S.C. 3515(b). The statements are prepared from records of Federal entities in accordance with Federal generally accepted accounting principles (GAAP) and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

Budgetary Integrity

FAA Resources and How They Are Used

The FAA is financed by two primary **sources of funding...**

The following discussion of **FAA Resources and How They Are Used** is further illustrated in a graphic on page 35.

The FAA receives funding from two main sources: the General Fund of the U.S. Treasury and the Airport and Airway Trust Fund (AATF). Created by the Airport and Airway Revenue Act of 1970, the AATF pays for investments in the airport and airway system and covers many of the FAA's operating costs. Aviation excise taxes, including taxes on domestic passenger tickets, freight way bills, general and commercial aviation fuel, and international departures and arrivals, help fund the AATF. The Department of the Treasury invests those funds in government securities. Interest earned is also deposited into the AATF. Congress appropriates funds from the AATF (as well as from the General Fund) to meet the FAA's operating and capital needs.

In FY 2023, the AATF paid for approximately 87 percent of the FAA's enacted budget authority provided by the Consolidated Appropriations Act, 2023 (Public Law 117-328). The remaining funds came from the General Fund of the U.S. Treasury. Additionally, the FAA received $25 billion in advanced appropriations from the General Fund through the Infrastructure Investment and Jobs Act, 2022 (IIJA) (Public Law 117-58) enacted in November 2021. This funding, intended to help rebuild the country's critical infrastructure, is provided over five years from FY 2022-2026. The FAA's IIJA funding is appropriated into three budget accounts: $3 billion annually for Airport Infrastructure Grants, $1 billion annually for the Airport Terminal Program, and $1 billion annually for Facilities and Equipment (F&E). Because these supplemental appropriations came from the General Fund, they reduced the AATF share of the FAA's total budget to 69 percent for FY 2023.

The pie charts on page 2 summarize the FAA's budget as enacted by Congress. The total FY 2023 enacted budget of $24 billion was increased by $167 million (0.7 percent) from the FY 2022 enacted level.

The FAA requests and receives its funding in four primary accounts:

...Which are appropriated to **budget accounts...**

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

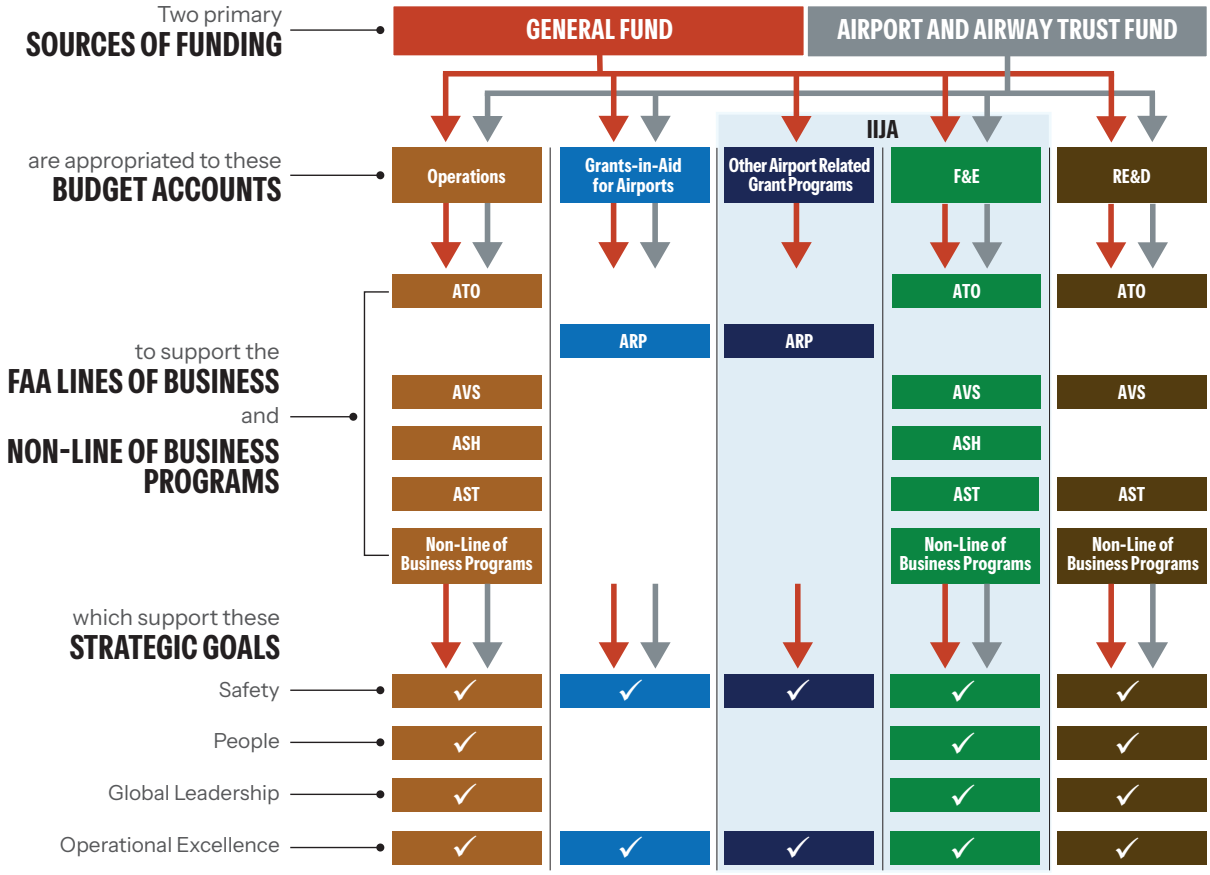
Operations, the largest account, is supported by the General Fund and the AATF. In FY 2023, the AATF supported 84 percent of the funding for the Operations account. This is a return to historical standards after lower aviation activity during the COVID-19 pandemic reduced aviation tax collections in FY 2021–2022. In addition to the "regular" appropriations from the AATF, in FY 2023 the F&E account received supplemental General Fund money from the IIJA. The AATF funded 74.7 percent of the total F&E account. Since FY 2018, the Grants-in-Aid for Airports program has received funding from both the AATF and the General Fund. This year the AATF covered 85.7 percent of the Grants-in-Aid for Airports funding.

In FY 2022, the FAA established two new budget accounts for airport-related IIJA funding: Airport Infrastructure Grants (AIG) and Airport Terminal Program (ATP). As mentioned, the funding in both accounts is supported by the General Fund. Please see further details on the FAA's budget accounts below.

Operations. This account covers operating costs, maintenance, communications, and logistical support for the air traffic control and air navigation systems. It funds costs associated with safety inspections and regulatory responsibilities, including salaries. In addition, this account covers administrative and managerial costs for international, medical, engineering, and development programs. It also funds policy oversight and overall management functions. For FY 2023, the Operations account received $11.9 billion from the General Fund and the AATF. This is 4.4 percent greater than FY 2022.

F&E. This account funds the capital improvement projects necessary to establish, replace, relocate, or improve air navigation facilities, equipment, and aviation safety systems, particularly through programs supporting NextGen. F&E received $2.95 billion from the AATF in FY 2023. This is an increase of 1.8 percent from FY 2022, when not taking into account one-time disaster relief supplemental funding appropriated last year.

FAA'S RESOURCES AND HOW THEY ARE USED



This chart aligns with the presentation of the FAA's audited Consolidated Statements of Net Cost on page 93 and Net Cost by Program and Strategic Goal in Note 14 on page 120. The columns represent each of the FAA's budget accounts in FY 2023. Net costs are presented among FAA's five lines of business and collectively for its non-line of business programs. General and administrative costs from the FAA's staff offices are allocated to the lines of business they support, on a reasonable and consistent basis. For more information, also see discussion of funding sources on pages 34–36 and the FAA's lines of business and staff offices on pages 11–12.

Other Airport Related Grant Programs include the following appropriations:

- $3 billion in annual advanced appropriations from FY 2022 through FY 2026 to Airport Infrastructure Grants from the Infrastructure Investment and Jobs Act (Public Law 117-58)
- $1 billion in annual advanced appropriations from FY 2022 through FY 2026 to Airport Terminal Program from the Infrastructure Investment and Jobs Act (Public Law 117-58)

In addition to the primary funding types listed above, the FAA also receives budgetary resources from revolving funds and user fees that are not graphically illustrated. For additional information on these funding sources, refer to page 36.

RE&D. This account funds research efforts that ensure a safe, efficient, and environmentally-conscious global air transportation system. The RE&D account received $255 million from the AATF in FY 2023, an increase of about 2.6 percent above FY 2022.

Grants-in-Aid for Airports. This account funds the Airport Improvement Program (AIP) through which the FAA awards grants for airport planning and development. These grants fund around one-third of all capital development at the nation's public airports. The FAA issues grants to enhance airport safety, maintain existing infrastructure, and expand the capacity and efficiency of the system. The account also supports airport-related research and the administrative costs of the FAA's Office of Airports. FY 2023 funding for the account was $3.91 billion. The General Fund provided $558.6 million of those funds. This is an increase of about 0.1 percent above FY 2022.

Airport Infrastructure Grants. The FAA established this account in FY 2022 for $15 billion provided by IIJA from the General Fund for airport projects that increase safety and expand capacity ($3 billion per year over the five-year period FY 2022-2026).

Airport Terminal Program. The FAA established this account in FY 2022 for $5 billion provided by IIJA from the General Fund to replace aging terminals and airport-owned towers, and to increase terminal energy efficiency and accessibility ($1 billion per year over the five-year period FY 2022-2026).

These budget accounts support the **FAA lines of business** and **non line of business programs** to achieve the agency's **strategic goals.**

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

Other Budgetary Resources. In addition to primary funding from Congress, the FAA also receives budgetary resources from revolving funds and user fees. Revolving funds are accounts established by law to finance operations with receipts derived from such operations. These funds are usually fully available for their intended use without further action by the U.S. Congress. User fees are specific charges for government goods or services. The "other funds" described next are not part of the enacted budget, but they provide another source of budgetary resources.

Aviation Insurance Revolving Fund. The Aviation Insurance Revolving Fund provides non-premium war risk insurance, which includes hull loss and passenger, crew, and third-party liability coverage, for certain U.S. Government contracted air carrier operations, as authorized by 49 USC 44305. This non-premium insurance authority is authorized through December 31, 2023.

Administrative Services Franchise Fund (Franchise Fund). The Franchise Fund is a revolving fund designed to create competition within the public sector in the performance of a variety of support services. These services include accounting, travel, multi-media, information technology, logistics and material management, aircraft maintenance, international training, and management training.

Aviation Overflight User Fees. The Aviation Overflight User Fees fund collects charges to operators of aircraft that fly in U.S. controlled airspace but do not take off or land in the United States. Under current law, these receipts are transferred to the Office of the Secretary of Transportation and used to support air service at certain locations under the Essential Air Service program.

CROSS-CHECK YOUR KNOWLEDGE

Ensuring Safe Air Transportation of Hazardous Materials

The FAA's Role in the Transport of Lithium Batteries and Other Dangerous Goods

The FAA ensures the safe air transportation of hazardous materials aboard aircraft. This includes items carried onboard by passengers and in baggage, but it also includes materials sent throughout the country by shippers, e-commerce retailers, and freight forwarders. The FAA's Security and Hazardous Materials Safety organization has had great success working throughout aviation to mitigate the safety risks of hazardous materials before they are loaded on an aircraft. But some hazardous materials continue to challenge our safety barriers. Lithium batteries, for instance, remain a significant safety concern.

What is a hazardous material?

A hazardous material (HAZMAT) is any substance or material that is capable of posing an unreasonable risk to health, safety, and property when transported in commerce. The FAA has responsibility for the oversight of hazardous materials transportation by air to, from, and within the United States.

Lithium batteries are of particular concern because they may cause fires an aircraft is not equipped to control. The FAA is actively addressing this concern and evaluating ways to safely use and transport lithium batteries in the air. We expect the volume of lithium batteries transported by aircraft to grow as green technologies that use such batteries become more widespread.

The FAA collaborates with international partners such as the International Civil Aviation Organization and the United Nations to harmonize standards and guidance. The agency engages with battery manufacturers, passengers, and the aviation community to manage the risks posed by lithium batteries. We participate in tradeshows, conferences, and speaking engagements across the country. Some key collaborative efforts include:

- Working with canine handling companies to explore the use of dogs in identifying lithium batteries in aviation cargo shipments.
- Researching and testing how the state of charge of a lithium battery affects the severity of a fire and how it spreads.
- Tracking data on lithium battery-related events involving smoke, fire, or extreme heat. To see this data, please visit: **https://www.faa.gov/hazmat/resources/lithium_batteries/incidents**.
- Publishing a monthly *Hazmat Highlights* newsletter, which provides to the public a curated digest of relevant hazardous materials topics from multiple government agencies.

Additionally, the FAA uses targeted campaigns to share safety information regarding lithium batteries and other dangerous goods. See more at: **https://www.faa.gov/hazmat** and **https://www.faa.gov/hazmat/resources/lithium_batteries**.

Mike Monroney Aeronautical Center

The Mike Monroney Aeronautical Center (MMAC) plays a vital role in the FAA and provides mission-critical support for 35 other federal agencies. The employees of the MMAC are uniquely positioned to provide nationwide services such as technical training; supply chain management and equipment repair and maintenance; financial management and IT support; leading-edge aviation, medical, and human factors research; and certification of aircrews and registration of our nation's civil aircraft. Some of the MMAC's notable FY 2023 accomplishments include:

- The MMAC leads the FAA in sustainability. Its hard work over the last decade has made the FAA more efficient and has reduced consumption and waste.
  - In FY 2023, MMAC added another building to its list of certified sustainable buildings, raising the total to 17 of the FAA's 28 certified buildings on campus.
  - In addition, MMAC achieved more than $700,000 in utility cost savings through energy reduction projects.
- The MMAC achieved more than $20 million in cost savings and avoidance through streamlined processes, improved contracts, and innovation.
- The MMAC provided unique products and services to 35 federal agencies through its franchise fund, a business with more than $500 million in annual revenues that receives no direct appropriations and obtains funding through service-level agreements.

Before and after photos of the Multipurpose Building at the MMAC, which was completely renovated in 2023, reducing energy consumption, improving space utilization, and replacing mechanical and electrical systems with high-efficiency systems. See more on page 39.

FAA photos

- The MMAC ISO-9001 external re-certification audit resulted in MMAC management receiving an "Outstanding" rating for two years in a row.
- For three years in a row, the MMAC was voted one of the Top Places to Work in Oklahoma.

The award-winning MMAC Facility Management team provides exceptional facilities services and maintenance for 130 buildings and 3.6 million square feet of industrial, administrative, and laboratory space. In addition to leading the MMAC's sustainability efforts, 2023 accomplishments include:

- Installation of 20 GOV electric vehicle charging stations in support of presidential goals for 100 percent zero-emission vehicles.
- Completion of the Multipurpose Building renovation, which reduced energy consumption, improved space utilization by 23 percent, and modernized the 52-year-old, 215,952-square-foot building. This renovation replaced mechanical and electrical systems with high-efficiency systems and created open floor plans that provide an agile work environment.
- More than 80 energy-saving and improvement construction projects from across the MMAC.

The FAA Academy serves as the agency's premiere centralized technical training academy. The Academy trains a variety of disciplines, including electronic technicians, engineers, air traffic controllers, aviation safety inspectors, and airport specialists. In FY 2023, the Academy's accomplishments include the following:

- Conducted more than 14,000 training classes, representing 1.4 million learner hours.
- Trained 1,229 new-hire Air Traffic Control (ATC) students in the Air Traffic Control Initial Qualification, surpassing the Congressional target of 1,200 ATC new hires starting at the Academy in FY 2023.
- Saved $3.3 million through the virtualization of the Air Traffic Basics training course.
- Supported international aviation safety through the development of the following strategic training:
  - Singapore International Safety Management System
  - International Commercial Space Training

Whether it's training, IT and financial services, maintenance and support, human factors and medical research, or flight inspections, there's a lot going on at the MMAC.

Find out more by watching "At the Center" at
https://www.youtube.com/watch?v=_uh_wrYPBQg

The Enterprise Services Center (further expanded upon on page 40) delivered shared services across the FAA and more than 30 federal agencies, processing millions of financial transactions. FY 2023 accomplishments include:

- Processed more than $71.5 billion in grant payments for the DOT, with 100 percent on time.
- Processed Bipartisan Infrastructure Law funding:
  - Committed and obligated $23.88 billion of $73.69 billion emergency funding provided to the DOT and disbursed $3.98 billion to recipients.
  - Committed and obligated $113.49 billion of $134.10 billion non-emergency funding provided to the DOT and disbursed $48.33 billion to recipients.
- Processed 306,838 vendor payments totaling $11.9 billion with less than .02 percent in interest penalties.
- Processed 159,047 travel vouchers totaling $99 million across the DOT, with more than 99 percent on time.
- Distributed 52,667 accounts receivable invoices totaling $18.5 billion.
- Processed 662,639 accounts receivable receipts totaling $13.3 billion.
- Saved more than $2.68 million through centralized management of FAA cellular services and saved more than $3.9 million through process improvement and effective resource management.

CROSS-CHECK YOUR KNOWLEDGE

Enterprise Services Center

The FAA's Enterprise Services Center (ESC) provides a wide range of vital services for the FAA and more than 30 other federal agencies. Operating as a franchise fund that receives no direct appropriation, the ESC delivers financial management services, information systems support, and cybersecurity services across the government from its location in the MMAC in Oklahoma City (see additional discussion of the MMAC and ESC on pages 38–39). In FY 2023, the ESC:

- Managed software applications such as the Automated Vacancy Information Access Tool for Online Referral system used to process job applications, including applications from 12,748 prospective air traffic controllers.
- Hosted mission-critical Air Traffic Organization applications, including National Airspace System Aeronautical Information Management Enterprise Systems, Notice to Air Missions System, and Traffic Flow Management System Disaster Recovery.
- Managed 22,000 FAA mobile devices through the ESC's National Wireless Program, saving the FAA $2.68 million in FY 2023.
- Automated tasks with 21 Robotic Process Automation implementations, saving 11,613 labor hours.
- Launched G-Invoicing, a government-mandated automated invoicing program, across the Department of Transportation.
- Provided a full spectrum of cybersecurity services to federal agencies including specialized vulnerability scanning, cybersecurity support, and independent auditing. The Department of Homeland Security's Cybersecurity and Infrastructure Security Agency reported that in FY 2023, ESC Cybersecurity services generated $13.1 million in cost avoidance for the federal community.
- Implemented Enterprise Content Services to digitize paper financial documents and provide a streamlined process for viewing financial records, meeting the requirements of the Office of Management and Budget. This service made available for viewing approximately 3 million pages of paper financial documents, providing a streamlined process for viewing accounts payable, accounts receivable, and other records.

Danny Sullivan, Cliff Crowley, and Kyle Lathrop troubleshooting electronic equipment used by the ESC.
FAA photo

Analysis of Systems, Controls, and Legal Compliance

Risk management, internal controls, and legal compliance are vital to the integrity of the FAA's finances, operations, and objectives. In the section below, we outline some of the important tools the FAA uses to mitigate risk, assure compliance across the agency, and report the results of our risk assessments. First, we provide a summary of the FAA's financial management systems strategy, the systems critical for financial reporting, and our recent and forthcoming improvements to those critical systems. Next, we explain management's responsibilities for internal control and conformance with financial systems requirements, and our actions to evaluate the effectiveness of such controls and conformance. These controls and assessments form the basis for our management assurance statement provided on page 44. Finally, we describe the FAA's approach to enterprise risk management which more broadly encompasses both financial and operational controls.

Financial Management Systems Strategy and Actions

FINANCIAL MANAGEMENT SYSTEMS STRATEGY

The FAA's financial management systems strategy is based on a framework called the Federal Enterprise Architecture. This framework is recognized across the federal government as the best practice for aligning business and technology resources to achieve strategic outcomes. Our financial management systems strategy is divided into five categories: Business, Applications, Data, Information, and Services. A summary of each is provided below:

Business. The FAA has centralized management of financial information to optimize efficiency, transparency, and consistency. Efficiency is achieved by minimizing the number of systems containing financial information. This information must be accurate, readily available, and relatively easy to review. The key outcome to centralization and transparency is consistency.

Applications. The number of applications used for financial analysis and reporting must be minimized to retain the reliability and consistency of financial information necessary for informed business decisions.

Data. Our financial data management roadmap and stewardship council govern the use and sharing of FAA financial data as a common asset.

Information. The FAA financial data "warehouse" provides consistency of reporting while maintaining each organization's ability to meet individual core mission business reporting requirements.

Services. Financial information services deliver shared operations and the infrastructure for the FAA's multiple financial systems.

SYSTEMS CRITICAL TO FINANCIAL MANAGEMENT, IMPROVEMENTS, AND ACTIONS

The FAA collaborates with the DOT to consolidate and modernize financial management systems and streamline processes and financial reports. Maintaining fewer systems enables the FAA to operate more efficiently by having fewer points of data entry, fewer systems to reconcile with the official sources of the data, and fewer systems on which to train employees. The summary below describes the systems critical to the FAA's financial management and the actions and improvements that are recently completed, underway, or planned for each:

Accounting. Delphi is our core financial accounting system. It is an Oracle web-based financial management system integrated with the Procurement Information System for Management (PRISM). Delphi, a DOT-wide system, supports the FAA's business objectives which include reducing program exposure to various sources of risk; automating, streamlining, and standardizing financial and business processes; and providing accurate financial results. Delphi undergoes continuous updates to improve functionality. The following are some highlights of Delphi's features and benefits:

- One system and one set of books shared by all FAA regions, centers, and headquarters.
- Ability to share and extract information and data from a common source.
- Financial statements produced directly from the system provide accurate and timely information available to management for decision-making.
- Provides flexibility for program and accounting managers to report financial information.
- Project accounting provides clear lines of responsibility and accountability that improves FAA's ability to measure program effectiveness.

- Cost and lifecycle asset valuations are accurate and consistent.
- Serves as the system of record to originate and integrate G-Invoicing orders. G-Invoicing is a U.S. Department of Treasury-mandated online platform that improves the way the FAA manages buy/sell intergovernmental transactions.

Acquisition. PRISM is an internet-based system of procurement processing for the agency. PRISM supports the entire procurement lifecycle for generating and maintaining procurement documentation and contractor award information. PRISM interfaces with Delphi using a modern service-oriented architecture. A service-oriented architecture is a set of web services that efficiently passes or receives data through multiple applications. It allows individual web services to be easily discoverable and can be easily adapted to future changes and upgrades. PRISM will undergo a major upgrade to the next release in FY 2024 to improve user interactions with the system.

Travel. E2 Solutions is the travel management system used by all DOT organizations and many other federal agencies. This system provides the FAA with end-to-end travel approval, booking, and expense management capabilities.

Management Control Highlights

FINANCIAL MANAGEMENT INTEGRITY: CONTROLS, COMPLIANCE, AND CHALLENGES

On November 9, 2023, the FAA Administrator and Deputy Administrator reported an unmodified statement of assurance to the Secretary of Transportation under the Federal Managers' Financial Integrity Act (FMFIA) of 1982. Every year, program managers within the FAA assess the vulnerability of their programs. Based on these assessments, the FAA conducts reviews to determine compliance with Sections 2 and 4 of FMFIA. Section 2 requires having management controls in place, while Section 4 requires financial systems to meet governmentwide standards. If these reviews find any significant internal control weakness or non-conformance with the system standards, the FAA's department heads report them in writing to the FAA Administrator. These reports are combined into a Statement of Assurance signed by the Administrator and sent to the DOT Secretary. This FAA statement becomes part of the DOT Statement of Assurance sent to the President.

The FAA also informs the DOT about compliance with the Federal Financial Management Improvement Act (FFMIA)

San Francisco International Airport tower with terminal in foreground.
FAA Photo by Micah Maziar

of 1996. The FFMIA requires an assessment of adherence to financial management system requirements, accounting standards, and U.S. Standard General Ledger transaction-level reporting. For FY 2023, FAA is reporting overall substantial compliance.

ENTERPRISE RISK MANAGEMENT AT THE FAA

OMB Circular A-123 provides detailed guidance for management regarding reporting and internal controls. Initially, this guidance focused on internal controls over financial reporting, but over the past few years, the OMB has expanded its scope to consider financial and operational controls.

The FAA has collaborated with the DOT to incorporate risk management into our well-established risk-based business architecture. As a mature risk-based entity whose mission is to provide the safest and most efficient aerospace system in the world, the FAA has a longstanding performance committee to monitor the agency's strategic goals and provide monthly progress reports to the Administrator.

Additionally, the FAA developed an enterprise risk management plan for OMB Circular A-123 that identifies a governance approach and a Chief Risk Officer. Each year, with approval from our Enterprise Risk Management Board and our Chief Risk Officer, the FAA submits a risk profile document to the DOT for inclusion in the department-level risk profile submitted to OMB. This risk profile analyzes the threats faced by the organization and the effectiveness of existing internal controls. In its FY 2023 risk profile, the FAA aligned its risks with the DOT's top risk areas, which pertain to integrating innovations safely while reducing transportation fatalities and injuries, infrastructure/state of good repair, cybersecurity, disaster preparedness, climate-resistant infrastructure, equity, hazardous materials, organizational excellence, and human capital. The FAA's approach to enterprise risk management also includes risk assessments that focus our robust internal controls testing and validation of compliance with laws and regulations; consideration of risk areas highlighted through assessments and audits, including those conducted by the Office of Inspector General (OIG); and self-assessments conducted by FAA lines of business and staff offices. Additional details regarding top management challenges identified by the OIG can be found in the Other Information section of this report on page 156.

Management Assurances

Federal Managers' Financial Integrity Act and Federal Financial Management Improvement Act Assurance Statement

Fiscal Year 2023

The FAA is responsible for managing risks and maintaining effective internal control and financial management systems that meet the objectives of Section 2 and Section 4 of the *Federal Managers' Financial Integrity Act of 1982*. This includes conducting assessments to determine the effectiveness of internal control and conformance with financial system requirements. The FAA conducted its assessments in accordance with OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*.

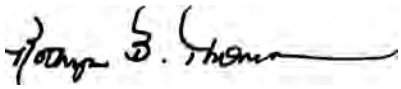
The FAA's assessments consider the effectiveness of internal control over operations, financial reporting (including safeguarding of assets), and compliance with applicable laws and regulations. The objectives are to ensure:

- Effectiveness and efficiency of operations
- Reliability of reporting for internal and external use
- Compliance with applicable laws and regulations

Based on the results of this assessment, the FAA can provide reasonable assurance that its internal control over operations, financial reporting, and compliance were operating effectively as of September 30, 2023. The assessments found no material weaknesses in the design or operation of internal control over financial reporting.

The FAA also assessed its financial management systems' conformance with *Federal Financial Management Improvement Act of 1996 (FFMIA)* financial system requirements. Based on the assessment using OMB Circular No. A-123 Appendix D, *Management of Financial Management Systems – Risk and Compliance*, the FAA can provide reasonable assurance that its financial management systems complied with FFMIA for FY 2023.

Michael G. Whitaker
Administrator
November 9, 2023



Kathryn B. Thomson
Deputy Administrator
November 9, 2023

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Air Traffic Control Tower at Wittman Regional Airport, Oshkosh, WI.

FAA photo by Micah Maziar

Performance Results

Performance Measures Overview

The FAA's new strategic plan, Flight Plan 21st Century, outlines the agency's strategic goals and objectives for FY 2022 through FY 2026. These goals align with the DOT's strategic plan. The FAA's strategic plan describes overarching, long-term goals and the steps it will take to realize those goals. For more information on the strategic plan please visit: **https://www.faa.gov/about/plans_reports/**.

The long-term goals of our strategic plan inform the annual measures included in this year's Performance and Accountability Report. While some measures were published in last year's report, others have been revised, and some are new. Each of the annual measures aligns with a specific strategic goal:

- **Safety:** Oversee and operate the safest aerospace system in the world, all with a culture of continuous improvement.
- **People:** Strengthen our current and future aviation workforce by holding ourselves accountable, developing our people, and planning for the aviation workforce of the future.
- **Global Leadership:** Advance global aviation safety, operational excellence, and innovation by leading and collaborating with aviation authorities globally.
- **Operational Excellence:** Operate the world's most efficient aerospace system through daily execution, continuous improvement, and infrastructure investment.

In the pages that follow, the FAA provides the FY 2023 performance targets; a discussion of our FY 2023 performance; and, where beneficial, up to five years of historical trend data to provide additional context on long-running metrics. We have also prepared a graph of performance measures when appropriate.

In FY 2023, the FAA met all of the agency's 17 performance measures. The FAA has noted the measures for which the data provided are preliminary.

Although some of this year's results significantly surpassed their targets, the FAA did not change the targets to reflect last year's results. Annual performance is more variable than long-term performance. Over time, short-term trends tend to balance out, and a long-term view more accurately reflects agency 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 in meeting long-term goals.

Please see page 74 for a discussion of how our performance data is verified and deemed complete and reliable.

SAFETY
Oversee and operate the safest aerospace system in the world, all with a culture of continuous improvement.

Performance Measure	Lead	FY 2020 Results	FY 2021 Results	FY 2022 Results	FY 2023 Target	FY 2023 Results	FY 2023 Status
Commercial Air Carrier Fatality Rate* Reduce the commercial air carrier fatalities per 100 million persons on board U.S. carriers by 50% over 18-year period – FY 2008-2025. Target for FY 2023 is 4.9.	AVS	0.9	0.0	1.4	4.9	0.1[1]	✓
Commercial Surface Safety Risk Index Maintain the weighted surface safety risk index at or below 0.38 per million operations for Commercial Aviation.	ATO	0.07	0.10	0.12	0.38	0.06[1]	✓
Non-Commercial Surface Safety Risk Index Maintain the weighted surface safety risk index at or below 1.39 per million airport operations for non-commercial aviation.	ATO	0.41	0.40	0.27	1.39	0.37[1]	✓
General Aviation Fatal Accident Rate* Reduce the general aviation fatal accident rate to no more than 0.89 fatal accidents per 100,000 flight hours by 2028. FY 2023 Target: 0.94.	AVS	0.91	0.73	0.86	0.94	0.76[2]	✓
Commercial Space Licensed and Permitted Launch and Reentry Safety No fatalities, serious injuries, or significant property damage to the uninvolved public during licensed or permitted space launch and reentry activities.	AST	0	0	0	0	0	✓
FAA Advanced Air Mobility (AAM) Implementation Plan Develop a singular implementation plan that incorporates all of the agency work streams that must be completed in order to enable initial AAM services in the national airspace system.	ANG	New Measure for FY 2023	New Measure for FY 2023	New Measure for FY 2023	Meet three targets	Met three targets	✓

* This performance measure supports a DOT Agency Priority Goal.

✓ Target met ✗ Target not met

1 Preliminary estimate until final results are available in March 2024. We do not expect any change in the final result to be significant enough to alter our year-end status of achieving the target.

2 Preliminary estimate until final results are available in December 2023. We do not expect any change in the result to be significant enough to alter our year-end status of achieving the target.

Commercial Air Carrier Fatality Rate

Reduce the commercial air carrier fatalities per 100 million persons on board U.S. carriers by 50% over 18-year period – FY 2008–2025.	
FY 2023 Target	No more than 4.9 fatalities per 100 million persons on board U.S. carriers (this equates to approximately 42 fatalities).
FY 2023 Result	**0.1** fatalities per 100 million persons on board (this is a preliminary estimate until the results can be confirmed by the National Transportation Safety Board in March 2024).
Public Benefit	This metric is the premier representation of the FAA's commitment to making air travel even safer.

The Commercial Air Carrier Fatality Rate metric assesses the safety of commercial air carrier operations, including scheduled and non-scheduled flights by U.S. passenger and cargo carriers. This metric excludes on-demand (i.e. air taxi) service and general aviation. The metric includes fatalities involving passengers, crew, personnel, and the uninvolved public.

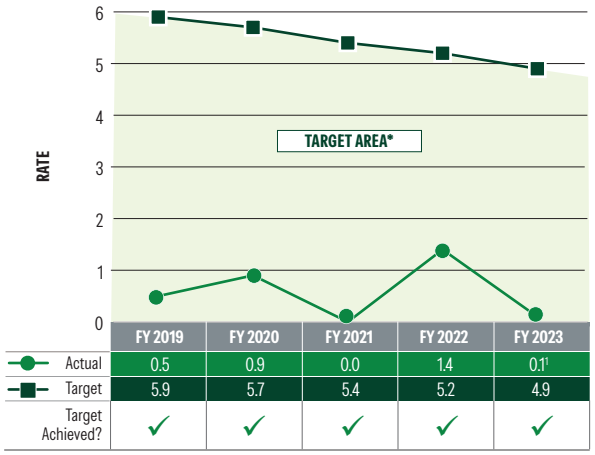
The metric calculates fatalities per persons on board, so the safety level is unaffected by the number of flights in the air. Our target rate this year was 4.9 fatalities per 100 million persons on board, which equates to approximately 42 fatalities. To put this number into perspective, 2.5 million passengers fly in and out of U.S. airports daily. This low target rate underscores the FAA's goal of zero catastrophic commercial aviation accidents. Additionally, although incidents still occur, advances in aviation have made these rare events more survivable, contributing to our success in meeting our Commercial Air Carrier Fatality Rate target.

In the long term, the FAA aims to reduce the number of fatalities in commercial aviation by 50 percent by 2025. This equates to 4.4 fatalities per 100 million persons on board from a baseline of 8.9 fatalities established in the period from 1997 to 2006. The FAA's annual targets were calculated to reflect a linear reduction over 18 years from 2008 to 2025.

With a rate of only 0.1 fatalities per 100 million persons on board, the FAA significantly surpassed its target of 4.9 per 100 million. Aviation is one of the safest forms of transportation, but we do not take safety for granted. FAA strives every year to maintain this distinction. Our success is, in part, a result of the FAA's establishment of safety-critical regulations and our mandate that air carriers implement safety management systems. The Commercial Aviation Safety Team (CAST), a government-industry partnership established in 1997, has been critical in reducing fatality risk in commercial aviation.

COMMERCIAL AIR CARRIER FATALITY RATE

Fatalities per 100 million persons on board



	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Actual	0.5	0.9	0.0	1.4	0.1[1]
Target	5.9	5.7	5.4	5.2	4.9
Target Achieved?	✓	✓	✓	✓	✓

1 Preliminary estimate. National Transportation Safety Board will confirm in March 2024. We do not expect any change in the result to be significant enough to alter our year-end status of achieving the target.

* Actual results in this area indicate successful performance.

Safety Management Systems

Safety Management Systems (SMS) are valuable tools to address system hazards. An effective SMS provides processes to continuously identify hazards and mitigate risks before they lead to an incident. For this reason, the FAA continues to work with aviation industry stakeholders to ensure continuous improvement of SMS within their operations and in the nation's airspace.

An SMS requires organizations to examine their operations and decision-making. They help make organizations adaptable to increasing complexity and limited resources. An SMS also promotes the continuous improvement of safety by using employee reports and data collection to

predict hazards. Organizations use this data to analyze, assess, and control risk, and part of the SMS process includes monitoring the SMS itself. An SMS helps organizations comply with existing regulations and predict future needs through knowledge and information sharing. Finally, an SMS includes measures to improve the safety culture of leadership, management, and employees. This is designed to help an organization incorporate reactive, proactive, and predictive thinking when it comes to safety. Systems like these provide ways for the FAA and the aviation industry to collaborate to improve aviation safety by preventing accidents and reducing incidents.

The FAA issued regulations in 2015 requiring all air carriers conducting operations under part 121, which covers commercial air carriers, to develop and implement an SMS. The FAA worked closely with these carriers to provide guidance and clarify requirements for these efforts, resulting in 100 percent compliance as of March 8, 2018.

In January 2023, the FAA published a Safety Management System Notice of Proposed Rulemaking. The FAA proposes to update and expand requirements for SMS and require certain certificate holders and commercial air tour operators to develop and implement an SMS. This proposed rule would extend the requirement for an SMS to all certificate holders operating under the rules for commuter and on-demand operations, commercial air tour operators, production certificate holders that are holders or licensees of a type certificate (TC) for the same product, and holders of a TC who license out that TC for production. The FAA proposes this rule to address a Congressional mandate as well as recommendations from the National Transportation Safety Board and two Aviation Rulemaking Committees. The proposed rule would also more closely align the United States with Annex 19 to the Convention on International Civil Aviation. The proposed rule requires organizations to implement a proactive approach to managing safety. The public comment period for this proposed rulemaking ended in April 2023, and the FAA is working to meet the Aircraft Certification Safety Accountability Act requirements for design and manufacturing organizations to adopt SMS.

On April 24, 2023, the FAA issued a final rule on Airport Safety Management System for part 139 airports, which includes over 500 of the nation's largest airports. This final rule requires certain airport certificate holders to develop, implement, maintain, and adhere to an airport SMS. Certificated airports that qualify under one or more of the following triggering criteria are required to develop an SMS under this final rule: are classified as large, medium, or small hubs based on passenger data extracted from the FAA Air Carrier Activity Information System; have a 3-year rolling average of 100,000 or more total annual operations, meaning the sum of all arrivals and departures; or serve any international operation other than general aviation. This rule would expand the safety benefits of SMS to certain certificated airports and further the FAA's aviation-wide approach to SMS implementation in order to address safety at an organizational level.

The FAA will be working with Part 139 certificate holders over the next 4 to 5 years during the implementation period. This rule will further cast a critical safety net over commercial service airports in the United States while enhancing other SMS regulated parties with increased information sharing and oversight to reduce incidents, accidents, and fatalities in the airfield environment.

Commercial Aviation Safety Team (CAST)

The FAA's success in commercial aviation safety is due in large part to industry and government investment in life-saving safety enhancements implemented in U.S. commercial air travel. The CAST brings together representatives from government, pilot, and air traffic controller associations, airlines, airports, and aviation manufacturers to analyze data, identify top safety concerns, and apply interventions to address fatality risks. The work of the CAST, along with new aircraft regulations and other efforts, continues to reduce fatality risk for commercial aviation in the United States.

The CAST has developed more than 100 safety enhancements to date. The latest 26 enhancements were based on non-accident data, demonstrating the program's progression from reactive safety enhancements to proactive risk mitigation. The CAST has developed an integrated, data-driven strategy to reduce commercial aviation fatality risk in the United States. To learn more about the CAST, please visit: **www.cast-safety.org**.

Commercial and Non-Commercial Surface Safety

FY 2023 Target	**Commercial:**	Maintain the weighted surface safety risk index at or below 0.38 per million operations for Commercial Aviation.
	Non-Commercial:	Maintain the weighted surface safety risk index at or below 1.39 per million operations for Non-Commercial Aviation.
FY 2023 Result	**Commercial:**	**0.06** (preliminary estimate until the final becomes available in March 2024).
	Non-Commercial:	**0.37** (preliminary estimate until the final becomes available in March 2024).
Public Benefit	The Surface Safety Metric represents the potential for fatal accidents on the runway or taxiway surface. A Surface Safety Metric score at or below the annual target is an indication of overall reliable safety performance for the flying public in the surface environment.	

The Surface Safety Risk Index measures the overall safety performance of the national airspace in the surface environment. Surface accidents and incidents include aircraft collisions with vehicles, pedestrians, or other aircraft; runway excursions (the inadvertent exit of an aircraft from the runway surface); runway incursions (the incorrect presence of an aircraft, vehicle, or pedestrian on a surface designated for landing or takeoff); and all taxiway incidents. Operations are defined as total takeoffs and landings. Commercial operations are considered those operating under Federal Aviation Regulations Parts 121, 129, and 135; all other operation types are considered non commercial.

Commercial and non-commercial metrics are both based on a risk index score calculated by applying a score to each surface event based on its strength of association with a fatality, with a fatal injury having a score of 1.0. The total of all scores is then divided by total operations. In FY 2023, the Surface Safety risk indices remained well below target for both the commercial and non-commercial metrics. This is a direct result of the collaborative efforts of the FAA, the aviation industry, and labor organizations.

The FAA has made considerable progress in improving runway safety at U.S. airports over the past 15 years by working with the aviation community on education, training, and airfield improvements such as improved marking and lighting.

In July 2015, the FAA initiated the Runway Incursion Mitigation (RIM) program to address runway and taxiway intersections with high incidences of runway incursions. As of July 2023, there are 122 RIM locations at 78 airports. Airports use a combination of strategies to improve these intersections, such as changes to the airport geometry, lighting, signage, markings, and operational procedures. These strategies reduce the likelihood of pilot confusion and have a direct impact on reducing runway incursions. To date, the RIM program completed 94 of these mitigations, which reduced runway incursions by an average of 78 percent program wide. Continued monitoring of mitigated RIM locations will help determine if efforts were successful and if additional mitigation is necessary.

The FAA Runway Safety Council (RSC) is fundamentally changing the existing safety culture and moving toward a systemic proactive management strategy that involves cooperation throughout the FAA and among the different segments of the aviation industry. By applying the formalized and proactive approach of the FAA's Safety Management System, the RSC is advancing the shift from a compliance-based safety system to a risk-based, data-driven, integrated systems solution to runway safety. Collaboration with the aviation community is a key component of runway safety. The RSC includes aviation stakeholders from across FAA lines of business, like Airports, Aviation Safety, and the ATO, FAA employee labor organizations like Professional Aviation Safety Specialists and National Air Traffic Controllers Association, as well as industry representatives like aircraft operators, airline representatives, and flight instructors.

At the national level, the ATO, in collaboration with the air traffic controllers' union, created a Wrong Surface Landing Event Safety Task Force. The Task Force provides a review of surface events through an operational safety lens, recommending policy or operational changes as required. At the local level, the FAA works with airport authorities to identify and mitigate recurring surface safety issues. Two examples of these efforts are Flying Cloud Airport in Minnesota and Ashville Regional Airport in North Carolina, where our FAA subject matter experts continue

collaborative efforts with local authorities to eliminate surface events caused by unique topographical or airport layout factors.

The FAA also worked to alleviate the impacts of runway excursions by improving runway safety areas (RSAs) at commercial service airports. An RSA is a paved or graded surface around the runway, as much as 500 feet wide and extending as far as 1,000 feet beyond the end of the runway. The RSA enhances the safety of aircraft that undershoot, overrun, or veer off the runway, and provides greater accessibility for Aircraft Rescue and Fire Fighting equipment during such incidents.

In some cases, land is not available at the end of a runway to achieve the full standard RSA. For this reason, the FAA has worked with various airports to install Engineered Material Arresting Systems (EMAS) that use crushable material beyond the landing surface to stop an aircraft that overruns the runway. The aircraft's tires sink into the lightweight material, and the aircraft decelerates quickly. Currently, EMAS is installed at the end of 125 runways at 72 U.S. airports. To date, there have been 20 incidents where EMAS safely stopped overrunning aircraft with a total of 428 crew and passengers aboard those flights. The most recent incident occurred in April 2023 and involved a chartered twin-engine aircraft with six passengers and one crewmember landing at the Ft. Lauderdale, Florida airport. The aircraft suffered a brake failure and overran the end of the runway, coming to a stop in the EMAS.

The FAA continues to develop and maintain a portfolio of technologies used by air traffic controllers, pilots, and airport vehicle operators and personnel to enhance surface safety. Runway Status Lights, operational at 20 U.S. airports, increase situational awareness for aircrews and airport vehicle drivers. Airport Surface Detection Equipment, Model X (ASDE-X), operational at 35 airports in the U.S., integrates data from a variety of sources to give controllers a more reliable view of airport operations. Airport Surface Surveillance Capability (ASSC), deployed for use at 8 U.S. airports, is similar to ASDE-X as it improves surface surveillance and situational awareness in all kinds of weather. An additional enhancement to the ASDE-X and ASSC alerting capabilities is ASDE-X and ASSC Taxiway Prediction, which warns air traffic controllers that an aircraft is aligned with a taxiway rather that the assigned runway.

The FAA has produced 100 site-specific From the Flight Deck videos to educate and inform pilots and controllers of the risk associated with operating at specific airports around the national airspace system. Other videos cover safety topics including wrong surface landings, complex airfield geometry, hold short, wrong direction intersection takeoffs and more. In addition, FAA's Runway Safety Pilot Simulator video series is a self-guided resource to assist flight instructors with teaching student pilots surface safety best practices, before they step foot into the cockpit. To supplement From the Flight Deck videos that educate on risks and cautions at airports nationwide, we began publishing additional information on faa.gov that includes details such as airport-specific cautions, information local controllers want pilots to know, airport communications, airspace details, more general best practices, lost communications tips and other preflight planning resources. This supplemental web content is currently available for 25 airports, with more content in development.

In response to an increase in runway incursions and other safety incidents from late 2022 and into 2023, the then-Acting FAA Administrator issued a Safety Call to Action in February 2023, with the goal of ensuring that our structure is fit for purpose for the U.S. aerospace system both today and the future. As part of that call to action, an FAA Safety Summit was convened on March 15, 2023. More than 200 safety leaders from across the aviation industry met in specific breakout sessions to discuss ways to enhance flight safety.

The Safety Call to Action resulted in additional actions and outreach, with ATO leadership, the aviation industry, union partners, and other experts collaborating to develop action plans addressing runway incursions. As part of this outreach, FAA held a General Aviation Pilot Workshop on March 22, 2023. In addition to sharing safety data, the event encouraged utilizing the Safety Management System in all aspects of aviation and provided an opportunity to discuss technological advances to augment existing surface surveillance capabilities in the prevention of runway incursions and surface safety events. The Safety Call to Action also prompted the addition of focused data reviews to raise awareness for the FAA's existing runway safety programs and campaigns, including convening an independent Safety Review Team, conducting a National Transportation Safety Board Roundtable, and sponsoring a Surface Safety Industry Day. As a result of this additional outreach and reinforced messaging, the rate of most severe runway incursions is down 27 percent since the Safety Call to Action event.

To learn more about runway safety, please visit: **https://www.faa.gov/airports/runway_safety** and **https://www.faa.gov/airports/engineering/incursions_excursions**.

General Aviation (GA) Fatal Accident Rate

Reduce the GA fatal accident rate to no more than 0.89 fatal accidents per 100,000 flight hours by FY 2028.	
FY 2023 Target	No more than 0.94 fatal accidents per 100,000 flight hours in FY 2023.
FY 2023 Result	**0.76** fatal accidents per 100,000 flight hours (this is a preliminary estimate until the results can be confirmed in December 2023).
Public Benefit	The entire flying public benefits from safer General Aviation. By tracking the rate of fatal GA accidents per flight hours, the FAA can accurately identify trends, indicating changes in the rates of potential safety risks. The FAA uses this data for safety enhancements in in-flight procedures, mechanical and technological improvements in aircraft, pilot education, and flight hazard research.

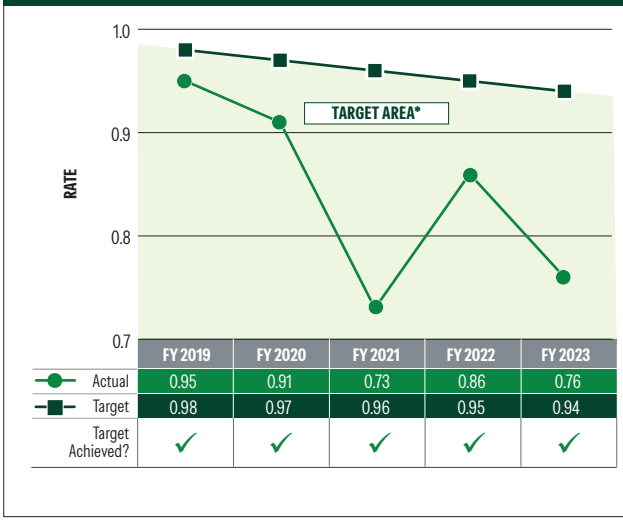
The United States has the most vibrant General Aviation community in the world with more than 200,000 active aircraft, including amateur-built aircraft, rotorcraft, balloons, and highly sophisticated turbojets. The FAA is continuously working with the greater GA community and industry to reduce the number of general aviation fatalities.

In FY 2023, the FAA achieved its goal of not exceeding a rate of 0.94 fatal accidents per 100,000 flight hours with a rate of 0.76. Since GA traffic volume fluctuates, the FAA and the GA community have agreed that a GA fatal accident rate, rather than the number of fatal accidents, more accurately reflects the level of system safety. This metric allows for an accurate comparison of GA safety across fiscal years, geographic jurisdictions, and varying aviation traffic levels.

In FY 2023, the FAA continued to work with the General Aviation Joint Safety Committee (GAJSC) on improving general aviation safety. The GAJSC, formed by the FAA and industry, uses a non-regulatory, proactive, and data-driven strategy to improve safety. The GAJSC has developed 46 safety enhancements aimed at addressing the top causes of fatal accidents. Of this total, 30 have been completed and 16 are underway. The safety enhancements address engine failures, situations in which flight crews are unable to maintain control of an aircraft in flight, and controlled flight into terrain (unintentional collisions with the ground, a mountain, or a body of water). The safety enhancements include technological improvement; improved education and training for both pilots and mechanics; increased awareness of issues related to medications; and outreach on a range of topics aimed at preventing loss of control, controlled flight into terrain, and accidents related to engine failures. The GAJSC working group completed their analysis on the topic of controlled flight into terrain. The next GAJSC study is looking into data on mechanical failures not related to engine failures.

GENERAL AVIATION FATAL ACCIDENT RATE

Fatal accidents per 100,000 flight hours



	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Actual	0.95	0.91	0.73	0.86	0.76
Target	0.98	0.97	0.96	0.95	0.94
Target Achieved?	✓	✓	✓	✓	✓

The GAJSC worked with GA operators and the community to record risks, lessons, and mitigations associated with the COVID-19 pandemic. The results of this collaboration reflect an unprecedented open and transparent exchange of information between the FAA and industry to further ensure safety remains the top priority.

As part of its strategy to reduce accidents, the GAJSC regularly engages with the GA community to educate pilots and other stakeholders on the benefits of sharing safety data via the Aviation Safety Information Analysis and Sharing (ASIAS) program. This ongoing initiative involves data submission by the aviation community to ASIAS. The data is confidential, de-identified, and not used for enforcement purposes. The goal is to assist the GA community in reducing the number of fatal accidents by identifying systematic risks that could lead to such accidents.

The U.S. Helicopter Safety Team (USHST) is another collaborative effort between the FAA and industry. This collaboration resulted in the approval and initiation of 16 safety enhancements related to helicopter safety. Of these 16 safety enhancements, eight are complete and are currently in the outreach phase. Completion of remaining enhancements is expected in the next three to five years.

The USHST holds a bi-monthly meeting where industry leaders and educators work alongside the rotorcraft industry to drive the helicopter fatal accident rate to zero. The FAA collaborates directly with industry to support USHST safety enhancements designed to reduce the most prevalent risks contributing to fatal helicopter accidents.

To spread safety awareness throughout the GA community, the FAA Safety Team (FAASTeam) conducts live safety seminars and webinars throughout the fiscal year. The FAASTeam is comprised of mostly volunteer experts in particular fields, such as maintenance or piloting, who help promote safety outreach to the general aviation public and provide training and resources specific to their specialties and regions, all with the support of FAASTeam program managers.

On a bi-weekly basis, in tandem with the FAA's UAS Integration Office, the FAASTeam presents webinars to the Flight Standards Offices focusing on relevant Unmanned Aircraft Systems (UAS) topics. These webinars ensure that the Flight Standards Offices have necessary information to address UAS concerns in the national airspace. The team provided 24 live webinars in FY 2023. In response to numerous requests received via the FAA website as well as from internal and external stakeholders, the FAASTeam issued 414 notices and offered access to almost 3,000 seminars and webinars.

Regulations

On November 22, 2022, the FAA published the final rule requiring medical certification standards for commercial balloon operations. FAA regulations now require a valid second-class medical certificate when exercising the privileges of a commercial pilot certificate in a balloon for compensation or hire except when conducting flight training. This rulemaking was a response to a fatal balloon accident in Texas in July 2016 as well as other commercial hot air balloon accidents, including four fatal accidents, between 2003 and 2013, and it incorporates NTSB recommendations.

Commercial Space Licensed and Permitted Launch and Reentry Safety

FY 2023 Target	No fatalities, serious injuries, or significant property damage to the uninvolved public during licensed or permitted space launch and reentry activities.
FY 2023 Result	0
Public Benefit	The FAA's oversight of commercial space launch industry activities has resulted in no loss of life to the uninvolved public or public property damage while maintaining a robust entrepreneurial environment fostering significant innovations and economic opportunities for the American public.

In FY 2023, FAA oversaw a record-breaking 118 licensed commercial space launches and reentries. The FAA continued its perfect record of ensuring no fatalities, serious injuries, or significant property damage to the uninvolved public during these launches and reentries. Throughout its involvement in commercial space activities, the FAA has licensed or permitted more than 650 launches and reentries and has seven active Safety Element Approvals. The FAA also oversees 14 licensed sites, also called spaceports, which have been licensed for launch and/or reentry operations.

The commercial space industry has shown remarkable resilience and growth. By the end of FY 2023, there were 23 active vehicle licenses held by 11 companies, as well as a reentry license held by SpaceX for its Dragon 2 capsules. Four of these active vehicle licenses were issued this fiscal year, marking the highest number of licenses granted in a single year. This growth is expected to continue due to a robust space economy that includes proposed commercial space stations, satellite mega-constellations, and commercial missions supporting NASA's Artemis Program.

To safely accommodate increasing commercial space operations, in 2021, the FAA published performance-based safety regulations governing commercial space launch and reentry licensing. With these regulations, the FAA focuses on achieving public safety results rather than mandating the specific processes or technologies used to achieve those results. In FY 2023, the FAA published four Advisory Circulars. These circulars provide advice and methods for performing a population exposure analysis, direction on handling identified flight hazard area, guidance on demonstrating compliance with the requirements for policy and payload reviews, and instructions on launch and reentry collision avoidance analysis.

In FY 2023, the FAA established two Aerospace Rulemaking Committees (SpARC) to collaborate with industry and academia. One of these SpARCs will focus on commercial human space flight occupant safety regulations. The other will focus on financial responsibility rules for licensed launch and reentry.

Key highlights from the FAA's commercial space transportation activities in FY 2023 include:

- The FAA issued licenses to two new entrants who conducted their first licensed launches, showcasing the growing number of launch operators and the strength of America's commercial space sector:
  - ABL Space Systems received a license for the RS1 in November 2022.
  - Relativity Space received a license for the Terran-1 in February 2023.
- On April 14, 2023, FAA issued SpaceX a Vehicle Operator License for the first launch of its new Starship Super Heavy reusable launch vehicle. The vehicle subsequently launched from its site in Boca Chica, TX on April 20, 2023. The vehicle, composed of two rocket stages, Starship and Super Heavy, became the largest rocket ever launched. The rocket exploded in midair before stage separation. NASA's Artemis Program will use a variant of the Starship vehicle to return Americans to the moon.
- On June 29, 2023, Virgin Galactic launched its first flight with spaceflight participants, kicking off the first of its planned, continual operation of SpaceShipTwo from Spaceport America.
- On July 6, 2023, FAA issued a license to United Launch Alliance for its inaugural launch of the Vulcan Centaur launch vehicle at Cape Canaveral Space Force Station at Space Launch Complex 41.
- Virgin Orbit launched its first FAA-licensed mission outside of the United States, originating from Cornwall, United Kingdom in January 2023.

To view more on the FAA's commercial space transportation activities, please visit: **https://www.faa.gov/space.**

FAA Advanced Air Mobility (AAM) Implementation Plan

Develop a singular implementation plan that incorporates all the agency work streams that must be completed to enable initial AAM services in the national airspace system.		
FY 2023 Target	**Target 1:**	Develop an Updated Operational Use Case Report.
	Target 2:	Finalize AAM Leadership and Working Groups.
	Target 3:	Develop a draft AAM Implementation Plan.
FY 2023 Result	**Target 1:**	Incorporated operational use cases into the comprehensive Advanced Air Mobility Implementation Plan version 1.0 and the Urban Air Mobility (UAM) Concept of Operations version 2.0.
	Target 2:	In accordance with the Advanced Air Mobility Collaboration and Leadership Act, the cross-agency FAA team collaborated with other federal agencies that have a stake in AAM through the DOT-led Interagency Working Group (IWG), which officially kicked off on February 22, 2023.
	Target 3:	Released the Advanced Air Mobility Implementation Plan version 1.0 on July 18, 2023.
Public Benefit	The burgeoning Advanced Air Mobility (AAM) industry is an example of U.S. innovation and manufacturing that will help transform the way the public travels around the country. The agency has outlined a vision for how to safely and efficiently usher in AAM in the near-term, mid-term, and mature states of operations, and is defining the steps necessary to achieve those states.	

Advanced Air Mobility (AAM) is a rapidly emerging sector of the aerospace industry that aims to safely and efficiently integrate new aircraft, such as electric Vertical Takeoff and Landing (eVTOL) aircraft, into our nation's airspace. AAM is a collection of emerging technologies entering the aviation ecosystem, that will transform the way the public travels. In its efforts to safely and efficiently integrate AAM into the national airspace, the FAA has outlined AAM use cases, worked with the AAM Interagency Working Group (IWG), and completed the first version of an implementation plan.

The FAA continues its progress in planning for AAM operations. To this end, the agency works with the aerospace industry to anticipate policy needs and resources. The FAA has established a team to ensure a collaborative approach to the safe and efficient integration of AAM into the national airspace. Innovation teams (iTeams) contend with key areas of interest, such as aircraft certification, operational certification, airspace and air traffic management, vertiports, environment, security, community outreach, safety, and people, that span a multitude of business units in the FAA. The cross-agency iTeams developed an Advanced Air Mobility Implementation Plan (AAM IP), which aims to enable AAM operations at key sites by 2028 and outline the evolution of AAM operations.

Concurrently, the FAA engages with AAM manufacturers to understand their plans for entry into service (EIS). This includes assigning a project manager to each manufacturer with a mature EIS plan and gathering representation from each of our ten iTeams to ensure the FAA is at the forefront of operationalizing AAM. The results of this work is presented to FAA senior leadership through routine internal reviews.

In accordance with the Advanced Air Mobility Collaboration and Leadership Act, the FAA collaborates with other federal agencies that have a stake in AAM through the Interagency Working Group (IWG), which officially kicked off on February 22, 2023. The FAA plays a key role in the IWG, identifying cross-agency gaps and activities. Led by the Department of Transportation (DOT), the IWG ensures a governmentwide approach to AAM that includes consideration of topics outside of the FAA's authority, such as electrification and local land use issues.

In June 2023, the FAA published a notice of proposed rulemaking (NPRM) which includes a Special Federal Aviation Regulation (SFAR) and other permanent amendments to create a regulatory framework for the operation of powered-lift aircraft, which are capable of vertical takeoff and landing. The NPRM proposes alternate eligibility requirements for pilots type-rated as powered-lift pilots. The SFAR will also determine which operating rules to apply to powered-lift aircraft.

Additionally, while the FAA uses established means of compliance for type certification of aircraft, the agency also develops new means of compliance for type

certification of aircraft with unique design features or operational characteristics.

The FAA released Version 2.0 of the Urban Air Mobility Concept of Operations on May 3, 2023. This describes the technical roadmap for UAM, an urban-focused subset of AAM. The AAM IP aligns with the Urban Air Mobility (UAM) Concept of Operations version 2.0.

Version 1.0 of the AAM IP released on July 18, 2023 outlines what is necessary to enable AAM operations in the near-term (2028 and earlier), as well as a vision for how operations are expected to evolve from the near-term to the mid-term and mature state. The plan will ultimately include an integrated master schedule of interdependent activities required by the agency, the aerospace industry, local governments, and other stakeholders for AAM operationalization. The AAM IP is a living document that will be updated as we learn from initial implementation, research and testing, and from the collaborative work of the federal AAM IWG.

The AAM IP can be found here: **https://www.faa.gov/sites/faa.gov/files/AAM-I28-Implementation-Plan.pdf**.

Concept of an electric Vertical Takeoff and Landing (eVTOL) aircraft flying over a rural field.
cwiela_CH/Adobe Stock

PEOPLE
Strengthen our current and future aviation workforce by holding ourselves accountable, developing our people, and planning for the aviation workforce of the future.

Performance Measure	Lead	FY 2020 Results	FY 2021 Results	FY 2022 Results	FY 2023 Target	FY 2023 Results	FY 2023 Status
Hiring Persons with Disabilities (PWD)/ Persons with Targeted Disabilities (PWTD) ACR will lead collaboration between all FAA lines of business and staff offices to increase the representation of PWD/PWTD in the FAA workforce by 1% each year for the next three years (from FY 2022).	ACR	New Measure for FY 2022	New Measure for FY 2022	Met all targets	Meet four targets	Met four targets	✓
Air Traffic Controller Specialist (ATCS) Hiring Consistent with Air Traffic Controller Workforce Plan, hire at least 1,500 air traffic controllers in FY 2023.	ATO	New Measure for FY 2023	New Measure for FY 2023	New Measure for FY 2023	1,500	1,512	✓
DEIA Inclusive Language Implementation To ensure a diverse, equitable, and inclusive environment, the agency must implement its inclusive language policy and order.	ACR	New Measure for FY 2022	New Measure for FY 2022	Met all targets	Meet three targets	Met three targets	✓

✓ Target met ✗ Target not met

Hiring Persons with Disabilities/Persons with Targeted Disabilities

The FAA's Office of Civil Rights (ACR) will lead collaboration between all lines of business and staff offices to increase the representation of Persons with Disabilities/Persons with Targeted Disabilities (PWD/PWTD) in the FAA workforce by 1% each year for the next three years (from FY 2022).

FY 2023 Target	**Target 1:**	Each line of business/staff office will increase PWD/PWTD awareness and accountability by issuing a memorandum directing their managers to promote the PWD/PWTD 1% goal.
	Target 2:	In collaboration with all lines of business/staff offices, ACR's National People with Disabilities Program Manager will host four agency-wide information sessions for hiring managers on effective ways to hire people with disabilities.
	Target 3:	Each line of business/staff office will report their progress towards the 1% PWD/PWTD goal during bi-monthly meetings.
	Target 4:	Develop a communications/awareness campaign to encourage employee self-identification of disabilities to ensure an accurate understanding of current representation.
FY 2023 Result	**Target 1:**	Target met and completed February 2023.
	Target 2:	Target met and completed June 2023.
	Target 3:	Target met. Lines of business/staff offices reported meeting the hiring goal on May 31, 2023. PWD 16.60% and PWTD 2.0%.
	Target 4:	Target met and completed January 2023.
Public Benefit	This effort will benefit the public by increasing our hiring of people with disabilities who currently have an unemployment rate of 7.6% as compared to people without disabilities who have an unemployment rate of 3.6%.	

The U.S. Government is working to mirror the diversity of the nation it serves. The FAA actively strives to include more people with disabilities in its workforce as part of its Diversity, Equity, Inclusion, and Accessibility (DEIA) objectives. The FAA continues its focus on recruitment, hiring, advancement, and retention of persons with disabilities to increase the employment of this underrepresented group. Meeting our DEIA objectives helps build an inclusive workspace where people with disabilities can make meaningful contributions to the FAA's mission.

Persons with disabilities (PWD) refers to individuals with physical or mental impairments that substantially limit one or more major life activities. Persons with targeted disabilities (PWTD) are individuals whose disabilities the federal government has identified for special consideration in recruitment and hiring under the excepted hiring authority Schedule A. The targeted disabilities are:

- Developmental disabilities, for example, cerebral palsy or autism spectrum disorder
- Traumatic brain injuries
- Deafness or serious difficulty hearing
- Blindness or serious difficulty seeing even when wearing glasses
- Missing extremities
- Significant mobility impairment, benefiting from the use of a wheelchair, scooter, walker, leg braces, or other supports
- Partial or complete paralysis
- Epilepsy and other seizure disorders
- Intellectual disabilities
- Significant psychiatric disorders, for example, bipolar disorder, schizophrenia, post-traumatic stress disorder, or major depression
- Dwarfism
- Significant disfigurement, for example, those caused by burns, wounds, accidents, or congenital disorders

To achieve our goals, the FAA conducts significant targeted outreach to potential PWD/PWTD candidates. In June 2023, the FAA's Office of Civil Rights held its annual DEIA Symposium. More than 2,000 federal employees from the FAA, DOT, and other federal agencies registered for the symposium. The symposium featured training sessions discussing diversity, equity, generational

communication, accessibility, biases, neurodiversity, toxic work environments, and intersectionality.

The FAA also circulated an internal memorandum directing managers to promote the PWD/PWTD hiring goal. To highlight the agency's commitment to the hiring goal, the FAA hosted four agency-wide information sessions for hiring managers on effective ways to hire people with disabilities and targeted disabilities. Tools such as our direct hire authority are critical to meeting our hiring goals and educating our hiring managers to better equip them to meet the federal government's goals under Section 501 of the Rehabilitation Act of 1973, as amended.

To ensure as many FAA jobs as possible are available to people with disabilities, the FAA created an Aviation Development Program (ADP) pilot program to ensure that people with disabilities are provided the same opportunities as other applicants for Air Traffic Control Specialist positions. The ADP also created an on-the-job training that immerses candidates in all functions of an Air Traffic Control Specialist through participation in a 12-month internship at selected Air Route Traffic Control facilities. As a result of the ADP, the FAA has seen an increase in PWTD in mission-critical positions.

A robust resurvey campaign helped us meet our PWD/PWTD hiring goals. In support of this campaign, the FAA's Office of Communications sent out regular notices encouraging eligible employees to identify themselves as either PWD or PWTD.

The FAA remains committed to fostering a diverse and inclusive workplace that incorporates people with disabilities into all facets of its operations and decision-making. The FAA is proud to have met and exceeded our goal of increasing the representation of people with disabilities and targeted disabilities.

Air Traffic Controller Specialist Hiring

FY 2023 Target	Consistent with Air Traffic Controller Workforce Plan, hire at least 1,500 air traffic controllers in FY 2023.
FY 2023 Result	Hired 1,512 air traffic controllers.
Public Benefit	On an average day, the FAA is providing air traffic control to more than 45,000 flights and 2.9 million airline passengers across more than 29 million square miles of airspace, managing traffic to nearly 20,000 airports in the U.S.

Our nation's airspace is the most complex in the world and the FAA's mission is to provide the safest, most efficient aerospace system while encouraging global aerospace excellence. It includes 313 air traffic control facilities staffed with federal controllers, in addition to 262 facilities staffed with contract controllers. To accomplish its mission, the FAA monitors facility staffing continuously, and sets hiring targets every year. We are currently facing a unique challenge, as the consequences of the training pause due to the COVID-19 pandemic will take years to fully rectify. The aviation industry is key to the U.S. economy, and the FAA is stepping up to the challenge.

The FAA is engaged in a significant hiring effort. In June 2022, the FAA initiated a broad recruitment and outreach effort to focus on diverse populations with an Air Traffic Controller Track 1 (no experience) hiring announcement. Prior to the May 2023 Track 1 hiring announcement, the agency developed a more targeted outreach approach to communicate the significant timeline of becoming a certified air traffic controller, the placement process, and the benefits. The "Be ATC" campaign includes an updated website, a day in the life of an air traffic controller videos, and live social media events. Going forward, the FAA's communication campaigns will continue to focus on reaching diverse populations and will aim to increase applicant pool presence for female and minority populations.

The FAA has tremendous interest for Air Traffic Controller jobs. From the large number of initial applicants, only a small portion completed Air Traffic Skills Assessment testing and were selected for training at the FAA Academy in Oklahoma City. Once selected, candidates must pass a clearance process. In February 2023, the FAA scheduled Pre-Employment Processing Centers in Atlanta, New York, and Los Angeles, which are designed to increase the number of applicants in the pipeline, with the intent to expedite clearances and fill Academy class seats as soon as possible. This strategy produced good results, and the FAA is planning to hold similar regional events in 2024.

Entry-level applicants must complete required training courses and spend several months at the FAA Academy in Oklahoma City. After graduating the academy, individuals are placed in locations across the country and must gain 1 to 3 years of on-the-job experience before becoming a certified professional controller.

In May 2023, DOT Secretary Pete Buttigieg stated, "We have thousands of controllers in training right now but also a number who are eligible to retire." When setting annual hiring targets, the FAA takes many factors into account and plans ahead for years to come. The FAA's goal is to ensure that the agency has the flexibility to match the number of controllers at each facility with traffic volume and workload. The FY 2024 hiring target is 1,800, higher than FY 2023. Controller hiring targets are set in collaboration across FAA organizations and published in FAA's Air Traffic Controller Workforce Plan, an annual report for Congress.

To learn more about FAA's Controller hiring effort and outreach campaign, please visit: **https://www.faa.gov/be-atc** and **https://www.faa.gov/air_traffic/publications/controller_staffing/**.

DEIA Inclusive Language Implementation

To ensure a diverse, equitable, and inclusive environment, the agency must implement its inclusive language policy and order.		
FY 2023 Target	**Target 1:**	Create and implement a communications/marketing plan and materials using content provided by ACR.
	Target 2:	Research and draft a recommendation for an artificial intelligence (AI) tool to be used in reviewing FAA official documents.
	Target 3:	Create a timeline and develop a training module on inclusive language for managers and employees.
FY 2023 Result	**Target 1:**	Met target in August 2023.
	Target 2:	Met target in August 2023.
	Target 3:	Met target in August 2023.
Public Benefit	This performance measure is designed to improve the work environment of the FAA. The agency will be better suited to serve the public interest, and better positioned to attract talent and grow with the rapidly evolving aerospace industry.	

To lead the aerospace industry into the next century, the FAA must actively promote DEIA values. The words and language we use in all communications, both internally to FAA and with external stakeholders, must fulfill this objective. Updating the language we use in our programs and daily interactions is a critical step toward making equality and inclusion a reality.

The best resource for this effort comes from the diversity of people participating in the FAA's own Inclusive Language Working Group. The working group's mission is to develop a draft order and implementation plan for the adoption of inclusive language across the agency. This working group, which includes approximately 30 staff and management members from various offices, brings a wealth of experience and perspective to this effort.

Following these public meetings, the FAA's ACR worked with lines of business and staff offices across the FAA to develop an inclusive language draft order. While the previously issued policy statement focused on gender-inclusive language, this order seeks to broaden the application of inclusive language beyond gender-specific terms. The draft order was approved by all FAA lines of business and staff offices in December 2022. The order is currently being coordinated with the Office of the Secretary of Transportation.

ACR completed a draft communications/marketing plan and all materials and a draft timeline and training module on inclusive language for the Phase 0 implementation of the order. The draft training plan includes ACR conducting information sessions as a prelude to the mandatory training. The team also researched and tested AI tools to be used in reviewing FAA official documents for inclusive language. The draft recommendation for the AI tool for Phase 0 implementation of the order was completed in August 2023.

GLOBAL LEADERSHIP
Advance global aviation safety, operational excellence, and innovation by leading and collaborating with aviation authorities globally.

Performance Measure	Lead	FY 2020 Results	FY 2021 Results	FY 2022 Results	FY 2023 Target	FY 2023 Results	FY 2023 Status
Develop FAA International Outreach and Training Create OneFAA international training processes.	APL	Updated Measure for FY 2023	Updated Measure for FY 2023	Updated Measure for FY 2023	Meet two targets	Met two targets	✓
Global Leadership on Aviation and Climate Change Demonstrate continued global leadership on climate change through international engagement, action at the International Civil Aviation Organization, and execution of the U.S. Aviation Climate Action Plan.	APL	Updated Measure for FY 2023	Updated Measure for FY 2023	Updated Measure for FY 2023	Meet two targets	Met two targets	✓

✓ Target met ✗ Target not met

Develop FAA International Outreach and Training

Create OneFAA international training processes.		
FY 2023 Target	**Target 1:**	Develop an international training and outreach intake request process with tracking mechanisms that ensures a timely, consistent, and corporate approach.
	Target 2:	Develop quality standards for the development and delivery of international training and outreach products that ensure a consistent "look & feel" and implement a consistent delivery strategy across the FAA.
FY 2023 Result	**Target 1:**	The FAA established, documented, and implemented an intake process workflow to respond to training and outreach requests. Since its implementation in March 2023, the FAA tracks the lifecycle of a request using data from across the agency.
	Target 2:	The FAA identified gaps in existing documentation and developed a training and best practices guide that helps lines of business and staff offices promote consistency in training offerings.
Public Benefit	**Target 1:**	This target promotes the efficient use of government resources and promotes the safety of the American public flying on foreign air carriers and through international airspace.
	Target 2:	This target strengthens international partnerships by ensuring consistency across FAA lines of business and reliable, high-quality products that will benefit recipients taking an FAA course or workshop.

Global Outreach and Training (GOaT) is a key initiative supporting the Global Leadership Pillar in the FAA's Flight Plan 21st Century. GOaT aligns all FAA international training efforts and creates an enterprise-level strategy for international training. One of GOaT's mandates is to ensure that international training and outreach are timely, consistent, and provided with a corporate approach.

To support this mandate, the Flight Plan 21st Century GOaT initiative team, comprised of cross-agency participants, developed an FAA International Training Process Improvement Strategy. In FY 2022, the FAA introduced a guidance document that ensures export control requirements for outreach and training are applied consistently across the FAA. This fiscal year, the initiative team implemented a streamlined international training and outreach intake request process. This process provides clear guidance to FAA staff on procedural steps, roles, and responsibilities, enabling consistent assessment and response to each request. Since implementation, the FAA has used the new intake process to see requests through their entire lifecycle. Additionally, the FAA integrates data from across the agency to help measure the impact of international training and outreach.

Overall, the FAA can process intake requests more efficiently, reinforcing the agency's ability to deliver training and improve safety for U.S. travelers on foreign air carriers and in international airspace.

The GOaT team also created a set of guidelines and quality standards governing the development and delivery of training and outreach materials for international students. These guidelines help different FAA departments and offices provide consistent training. They also strengthen international partnerships by projecting a cohesive, corporate approach to external stakeholders. The standards guarantee that anyone taking an FAA course or workshop will receive consistent, high-quality training materials.

Since implementing these quality standards, the FAA's training materials and outreach products reflect an enterprise approach, and the FAA can better assess whether such offerings adhere to standards and regulations. By delivering consistent technical job functions training, the FAA supports a competent and qualified regulatory workforce that oversees foreign carriers. This contributes to the safety of the American flying public by supporting elevated safety standards no matter where they fly.

Global Leadership on Aviation and Climate Change

Demonstrate continued global leadership on climate change through international engagement, action at the International Civil Aviation Organization (ICAO), and execution of the U.S. Aviation Climate Action Plan.		
FY 2023 Target	**Target 1:**	Implement elements of the Sustainable Aviation Fuels (SAF) Grand Challenge Roadmap and initiate a ballot for American Society for Testing and Materials (ASTM) International specification for 100% SAF.
	Target 2:	Support ICAO environmental capacity-building initiatives in at least three ICAO regions.
FY 2023 Result	**Target 1:**	FAA supported safety evaluation and ASTM International qualification of SAF pathways including higher blend levels of SAF (e.g. 100% SAF), analyzed the impact of policies on the economics of SAF production, and tracked and projected SAF availability and environmental benefits to inform policymakers.
	Target 2:	Through the ASCENT Center of Excellence, the FAA's Office of Environment and Energy hosted three workshops in Thailand, the Dominican Republic, and Kenya.
Public Benefit	The public is increasingly concerned about the climate crisis. The aviation industry is perceived as a significant polluter, and there is little public information available on what the industry is doing to address the crisis. A publicly available Aviation Climate Action Plan provides an outline of actions taken as well as an accurate assessment of aviation's role in contributing to and addressing the climate crisis.	

At the 41st ICAO General Assembly in 2022, the FAA's Office of Environment and Energy, alongside colleagues in the Departments of Transportation and State, worked with key international partners to secure an ambitious climate goal. Significantly, the United States and nearly all ICAO Member States collaborated to adopt a long-term climate goal of net-zero CO_2 emissions by 2050 for international aviation.

To achieve this goal, we will need large-scale production of SAF around the globe. The FAA, through the ASCENT Center of Excellence, started a new project in FY 2023 to develop SAF supply chains worldwide. To start, the project will focus on three geographical areas with distinct characteristics: Sub-Saharan Africa, Latin America and the Caribbean, and Southeast Asia. The project will identify waste and biomass feedstock availability, analyze ways to optimize SAF production, and assess infrastructure and logistical requirements for a holistic approach to SAF supply chain development. The FAA will focus on identifying existing infrastructure that can be leveraged for SAF production. The FAA will also undertake an updated assessment of global SAF feedstock potential and key barriers to achieving this potential. Student training and capacity-building is another key feature of the project.

In 2023, the FAA's Office of Environment and Energy supported SAF workshops in Thailand, the Dominican Republic, and Kenya to develop SAF supply chains in key partner states through ASCENT Project 93. This ASCENT project leverages a three-university team to conduct activities across different geographical regions in order to identify waste and biomass feedstock availability, analyze new pathways to optimize SAF production, and assess infrastructure needs and logistical requirements for SAF supply chain development. These workshops brought together academia, government, and industry to identify regional opportunities and barriers to SAF development. In addition, FAA experts presented at capacity-building meetings and SAF development workshops in Chile, the Dominican Republic, Ethiopia, and at ICAO headquarters in Montreal. FAA experts provided input and updates on U.S. policies in numerous virtual events with international partners from Europe, Japan, and India.

The FAA also aligned various SAF research activities across ASCENT and CLEEN in support of key SAF Grand Challenge action areas. FAA research enabled ASTM International qualification of two new SAF pathways. Additional testing across ASCENT and CLEEN focused on addressing barriers to higher blend levels of SAF (e.g., 100 percent SAF). Although the ballot for 100 percent SAF specification was not initiated in FY 2023, the FAA continues to support efforts toward achieving this goal. ASCENT researchers analyzed the impact of policy on the economics of SAF production, and the FAA continued to track SAF production and to project future SAF availability and environmental benefits to inform policymakers.

CROSS-CHECK YOUR KNOWLEDGE

MSI Internship Helped Shape this Controller's Career

After an eye-opening introduction to aviation in college, Jose Castellanos found a future as an FAA controller.

Some people are drawn to aviation early in their lives. Others find a job in the industry by chance. But for Jose Castellanos, it was a lucky combination of opportunity and guidance that steered him toward a career in air traffic control.

Castellanos didn't know much about the FAA or air traffic control while he was attending college at Florida International University in Miami.

One day while researching internships on the internet, he discovered the FAA's Minority Serving Institution (MSI) Internship Program.

And now, he is a developmental controller in training at the San Juan Tower in Puerto Rico.

The MSI Internship Program is open to all eligible undergraduate and graduate college students attending an accredited college or university. An important focus of the program is providing opportunities to eligible students from groups underrepresented in Aviation, Aeronautics, and STEM.

While in the program, Castellanos worked at the FAA's Miami Air Traffic Control District Office, where he helped with administrative tasks involving air traffic control training. He also served on a cohort project dealing with runway safety issues. He and his fellow interns looked at runway incursions and causes and developed maps designating "hot spots" at airports where runway incidents were prevalent.

Jose Castellanos (right), a controller in training, with Carlos Boissen (left), an intern in the FAA's Gateways program at San Juan Tower.

The San Juan Tower at Luis Muñoz Marín International Airport in San Juan, PR.

Looking back, Castellanos believes the MSI internship was vital to his future, and that other students could benefit from participating in the program. The MSI program helps to promote varying jobs and opportunities at the FAA, including concentration areas in business administration, finance, communications, and human resource management — in addition to traditional STEM areas like engineering and technology.

Since 2020, the MSI program has expanded to include students in Alaska, Hawaii, Puerto Rico, and Guam. For FY 2023, the program hosted approximately 80 interns in-person and a total of 232 interns across the nation that represented 35 states and 146 unique colleges and universities. In the previous five years, the MSI program has hosted nearly 900 interns.

More information about the MSI Internship Program and other student programs can be found at **https://www.faa.gov/jobs/students**.

OPERATIONAL EXCELLENCE
Operate the world's most efficient aerospace system through daily execution, continuous improvement, and infrastructure investment.

Performance Measure	Lead	FY 2020 Results	FY 2021 Results	FY 2022 Results	FY 2023 Target	FY 2023 Results	FY 2023 Status
Critical Acquisition Milestones on Schedule 90% of the critical acquisition milestones are achieved by their scheduled due dates.	AFN	97%	93%	96%	90%	97.7%	✓
Ensure runway pavement is kept in a safe and serviceable condition* Maintain eligible runway pavement in Excellent, Good, or Fair condition (based on visual inspections) for 93% of the paved runways in the National Plan of Integrated Airport Systems.	ARP	97.9%	97%	97.6%	93%	97.6%	✓
Sustainability – FAA Facilities and Operations Demonstrate leadership on climate and sustainability by increasing the energy efficiency of FAA facilities and reduce the overall carbon footprint of the FAA.	APL	New Measure for FY2022	New Measure for FY2022	Met all targets	Meet target	Met target	✓
Obtain Unmodified Audit Obtain an unmodified audit opinion on the FAA's FY 2023 financial statements identified by external independent auditors.	AFN	Unmodified audit opinion	Unmodified audit opinion	Unmodified audit opinion	Unmodified audit opinion	Unmodified audit opinion	✓
Aircraft Noise Lead efforts in collaboration with aviation stakeholders to address aircraft noise in the United States and ensure up-to-date and effective noise policies.	APL	New Measure for FY2023	New Measure for FY2023	New Measure for FY2023	Meet two targets	Met two targets	✓
Bipartisan Infrastructure Law - 30x30 Complete construction on a total of 30 staffed Air Traffic Control Towers by 2030.	ATO	New Measure for FY2023	New Measure for FY2023	New Measure for FY2023	Award Contract for Tower Design Initiative	Awarded Contract	✓

* This performance measure supports a DOT Agency Priority Goal.

✓ Target met ✗ Target not met

Critical Acquisition Milestones on Schedule

FY 2023 Target	**90%** of the critical acquisition milestones are achieved by their scheduled due dates.
FY 2023 Result	**97.7%**
Public Benefit	The FAA's ability to keep acquisitions within specific schedule dates demonstrates the agency's accountability to key schedule commitments. Achievement of this target indicates the FAA's ability to manage programs that allow for a timely transition of NextGen programs. The transition involves acquiring numerous systems to support precision satellite navigation, digital, networked communications, integrated weather information, layered adaptive security, and more.

The Critical Acquisition Milestones on Schedule measure helps the FAA's acquisition programs stay on schedule by identifying variances early and allowing for corrective actions. Meeting specific schedule goals demonstrates the agency's accountability to key schedule commitments. Achievement of this target also demonstrates the FAA's ability to manage programs for a timely transition to NextGen technologies, which involves acquiring numerous systems to support precision satellite navigation, digital networked communications, integrated weather information, layered adaptive security, and more.

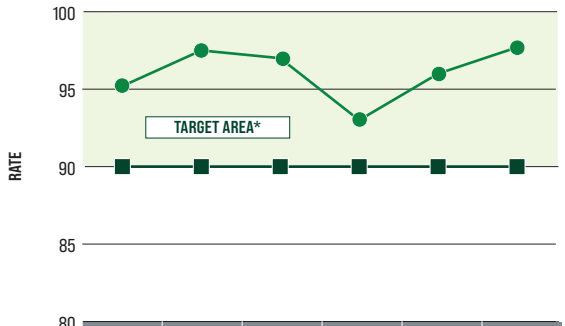
The FAA uses established criteria to select the programs and milestones to include in this performance measure. These criteria include programs with an approved Acquisition Program Baseline or Execution Plan, programs with active Facilities & Equipment funding, or programs determined to be strategically important or that require special management attention. Milestones reflect a measurable accomplishment, delivery, or key event.

Performance against this target relies on a program's projected milestone target date established at the beginning of the fiscal year. The calculation for this target is measured by dividing the total number of milestones for the fiscal year that were completed on or before their target due dates by the total number of milestones planned, resulting in the percentage of milestones completed by their target due date. At least 90 percent of the total number of milestones must be met by the target due date established at the beginning of the fiscal year to meet this performance target.

In FY 2023, 84 of 86 (97.7 percent) critical acquisition milestones were met by their target due date, thus allowing FAA to accomplish the overall goal. Two milestones missed their target due date, including:

CRITICAL ACQUISITION MILESTONES ON SCHEDULE

Ninety percent of the critical acquisition milestones are achieved by their scheduled due dates.



	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Actual	95.2	97.5	97.0	93.0	96.0	97.7
Target	90.0	90.0	90.0	90.0	90.0	90.0
Target Achieved?	✓	✓	✓	✓	✓	✓

* Actual results in this area indicate successful performance.

1. Wind and Wave Evacuation Survival Phase 1: Facility Structure Complete. The milestone missed the target date due to a delay in the approval of the required construction permits.

2. Aerospace Medical Equipment Needs Sustain 3: Complete the installation of Medical Monitoring Equipment. The milestone missed the target date due to the late completion of the acquisition package which caused the X-ray machine to be procured late.

Ensure Runway Pavement is Kept in a Safe and Serviceable Condition

FY 2023 Target	Maintain eligible runway pavement in Excellent, Good, or Fair condition (based on visual inspections) for 93% of the paved runways in the National Plan of Integrated Airport Systems (NPIAS).
FY 2023 Result	**97.6%** of Runways in the NPIAS are in Excellent, Good, or Fair condition.
Public Benefit	Maintaining runways in a good state of repair ensures the safe and efficient use of the national airspace system.

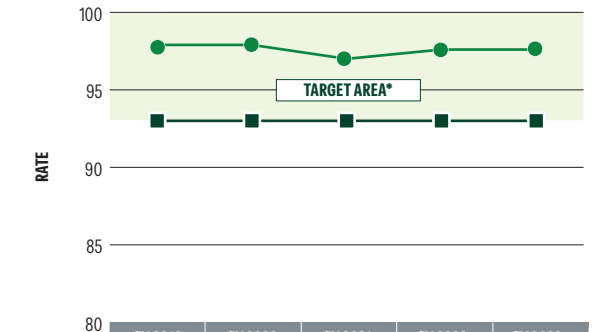
Deteriorated runways can damage aircraft equipment, compromise safety, and lead to expensive repairs. For this reason, the FAA aims to maintain 93 percent of paved runways at NPIAS airports in Excellent, Good, or Fair condition. For FY 2023, FAA accomplished this goal by maintaining 97.6 percent of runway pavements in Excellent, Good, or Fair condition.

Periodic runway maintenance, especially resurfacing, is a cost-effective way to delay the need for major runway rehabilitation. The FAA funds a broad range of infrastructure development at airports within the NPIAS, but airports are generally responsible for funding periodic and ongoing maintenance. More significant rehabilitation, resurfacing, or reconstruction projects may receive funding from a variety of sources, including Airport Improvement Program (AIP) grants, Bipartisan Infrastructure Law (BIL) grants, Passenger Facility Charge revenues, airport revenues, and other sources. Most AIP grants go toward pavement-related projects, and investment in airport infrastructure may continue to grow with the addition of the BIL's new grant programs. For more information about these new grant programs, please visit **https://www.faa.gov/bil**.

Maintaining a cost-effective network of runways requires a balance of accurate reporting and funding for repairs. The FAA focuses on optimizing life-cycle costs and extending pavement life, thereby reducing unnecessary costs and delays across the national airspace system. For some runways, the most cost-effective approach is to monitor pavement condition and continue to perform periodic maintenance, even while planning for eventual reconstruction. This allows for a staggered maintenance schedule that prevents flight delays caused by the closure of too many runways across the national airspace system. This also keeps the demand for funding in proportion to the budget for such funding. By keeping 93 percent of eligible runway pavement in Excellent, Good, or Fair condition, the FAA helps sustain this balanced approach. This percentage has not changed from the previous year, and the FAA has had continued success maintaining this percentage or higher.

RUNWAY PAVEMENT

Maintain eligible runway pavement in Excellent, Good, or Fair condition for 93% of the paved runways in the NPIAS.



	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Actual	97.9%	97.9%	97%	97.6%	97.6%
Target	93%	93%	93%	93%	93%
Target Achieved?	✓	✓	✓	✓	✓

To achieve this goal, the FAA meets with airport sponsors (and in some cases state aeronautical agencies) to review projects on the airport Capital Improvement Plan and Airport Layout Plan to ensure runway maintenance has funding and to coordinate maintenance schedules. The FAA is also exploring measures to modify guidance to allow pavement construction to be more cost-effective without forfeiting durability.

Sustainability — FAA Facilities and Operations

Demonstrate leadership on climate and sustainability by increasing the energy efficiency of FAA facilities and reducing the overall carbon footprint of the FAA.	
FY 2023 Target	Identify new buildings entering the design phase in FY 2023 and ensure the guiding principles for sustainable federal buildings are included in the design for applicable facilities.
FY 2023 Result	Identified all new buildings entering the design phase in FY 2023 and none fell into the applicable gross square feet (GSF) threshold for the guiding principles.
Public Benefit	The federal government is the largest purchaser of energy in the United States. All agencies are charged with reducing energy and water consumption to make these resources more available to the public.

To address climate change, the Biden-Harris Administration has directed federal agencies to focus on their sustainability and resiliency. The FAA responded by making sustainability a priority for agency facilities and operations. The target for this goal is based on Executive Order 14057, Catalyzing Clean Energy Industries and Jobs through Federal Sustainability. By meeting the target, the FAA demonstrates leadership in aviation sustainability, commitment to the administration's priorities, and compliance with legal mandates.

The FAA tracked quarterly updates and GSF of all new buildings entering the design phase in FY 2023. Per Executive Order 14057, all new construction entering the design phase greater than 25,000 GSF must meet the Guiding Principles for Sustainable Federal Buildings, which ensures a consistent government-wide portfolio approach for federal agencies to design, mitigate, and measure the impact of their buildings on the environment. In FY 2023, the FAA had no new construction greater than 25,000 GSF enter the design phase. The FAA, however, includes the same guiding principles in the scope of work for the design of facilities less than 25,000 GSF. There were several new construction facilities of less than 25,000 GSF in FY 2023.

The FAA tracks new construction by internally reporting quarterly status updates on buildings, ensuring leadership awareness of upcoming facilities and sustainability requirements outlined in Executive Order 14057.

To meet the Guiding Principles for Sustainable Federal Buildings, FAA engineers analyze building design and performance using Council on Environmental Quality instructions. This ensures buildings meet the six principles outlined by the Council on Environmental Quality, which include energy efficiency and water conservation.

Obtain Unmodified Audit

FY 2023 Target	Obtain an unmodified audit opinion on the FAA's FY 2023 financial statements identified by external independent auditors.
FY 2023 Result	Unmodified audit opinion on the agency's financial statements.
Public Benefit	The public benefits by being assured, confirmed by independent auditors, that the consolidated financial statements of the FAA are presented fairly in all material respects.

A third party audit evaluates the FAA's financial health. It independently assesses the agency's financial statements, considering internal controls over financial reporting and compliance with laws and regulations that could have a material impact on the financial statements.

In FY 2023, the FAA achieved this target by receiving an unmodified audit opinion on its consolidated financial statements. An unmodified audit opinion means that the financial statements are presented, in all material respects, in accordance with generally accepted accounting principles. This achievement signals the agency's transparency and accountability in its use of taxpayer resources. Every FAA organization must demonstrate its responsibility for following accounting policy by entering accurate and timely data into the accounting system.

The financial statements audit is a priority from the highest levels of the agency down to the programmatic level. FAA executive leadership allocates resources for effective internal controls, prompt resolution of audit issues, data integrity, and ongoing performance tracking. The FAA's strong emphasis on fiscal responsibility is the most significant factor contributing to the achievement of this measure.

Aircraft Noise

Lead efforts in collaboration with aviation stakeholders to address aircraft noise in the United States and ensure up-to-date and effective noise policies.		
FY 2023 Target	**Target 1:**	Initiate public education and stakeholder engagement on noise metrics and the Noise Policy Review policy options under consideration.
	Target 2:	Propose draft policy recommendations.
FY 2023 Result	**Target 1:**	Completed. The FAA launched a public education and stakeholder engagement campaign in January 2023 and built on it throughout the fiscal year.
	Target 2:	Completed. In September 2023, the project team briefed the Executive Noise Steering Group on public comments received to date, how these comments have informed policy deliberations, and initial potential policy recommendations.
Public Benefit	There is substantial public and Congressional interest in Aviation Noise, and any changes that result from the Noise Policy Review are expected to provide benefit to the public.	

The Aircraft Noise performance measure demonstrates that aircraft noise and associated community concerns remain an agency priority. The FAA initiated a policy review to assess civil aviation noise policies, evaluate the agency's efforts to address noise (including community engagement efforts and research on noise mitigation), and identify necessary changes to existing policy.

The aviation sector's recovery from the impact of the COVID-19 pandemic has provided an excellent opportunity for the FAA to develop and implement new policies and management approaches to address aircraft noise. As crewed air traffic recovers and new entrants increase their operations, returning aircraft noise may generate new noise complaints.

The FAA met its targets for Aircraft Noise for FY 2023. Our first target was to engage with the public and aviation stakeholders in a review of the agency's noise policy. On May 1, 2023, the FAA invited public comments on its civil aviation noise policy via a Federal Register notice. This allowed the FAA to engage with stakeholders early in the policy development process and provided opportunities for stakeholders to obtain clarity or provide input into the deliberative process. Due to multiple requests for an extension, the FAA extended the 90-day comment period to 150 days. The comment period closed on September 29, 2023.

The FAA updated the project website (**https://www.faa.gov/noisepolicyreview**), to contain educational videos, transcripts, slide decks, and other resources to assist the public in engaging with the FAA on aircraft noise. The FAA also provided translated materials for interested parties of limited English proficiency. In addition, the FAA conducted four virtual public meetings in May 2023 to answer questions and provide additional resources. During the public comment period, the FAA briefed stakeholders at industry conferences, engaged with airport roundtables, and held virtual dialogues with more than 100 community groups.

To reach our second target, the FAA reviewed public comments on a rolling basis and considered the comments while developing initial policy recommendations presented to the Executive Noise Steering Group. Due to the extension of the comment period, the project team committed to providing a follow-on briefing to reflect feedback provided during the remaining 60 days of the 150-day comment period. The process will continue in FY 2024 to ensure consideration of all public comments and update recommendations presented to the Executive Noise Steering Group before making any modifications to existing civil aviation noise policies.

The FAA's APL has worked with organizations across the agency to achieve this measure. APL has also collaborated with the Federal Interagency Committee on Aviation Noise, the aerospace industry, airlines, airports, airport roundtables, community groups, and the public.

Bipartisan Infrastructure Law — 30x30

*Complete construction on a total of 30 staffed Airport Traffic Control Towers by 2030.	
FY 2023 Target	Award contract for the Sustainable Airport Traffic Control Tower Design Initiative.
FY 2023 Result	Awarded contract in April 2023.
Public Benefit	FAA owns and maintains many airport traffic control towers across the U.S. that have exceeded their life expectancy and are past due for replacement. Accordingly, FAA launched an effort to accelerate the rate at which it replaces aging facilities that do not meet today's building codes and/or technological needs.

*This performance goal is a Bipartisan Infrastructure Law (BIL) Key Result

The Bipartisan Infrastructure Law (BIL), enacted in FY 2022, enables the FAA to address significant construction projects that were not possible under traditional funding mechanisms. To address Airport Traffic Control Towers (ATCT) in rural and underserved communities, the FAA initiated a significant effort on new construction for 30 of these facilities.

Sketch of the new sustainable, standard design for air traffic control towers.

In FY 2022, the FAA released a first Screening Information Request (SIR) for a high-level tower concept and subsequently selected 40 proposals. A second SIR went out to the 16 down-selected applicants to gather input on their qualifications. Based on those responses, six finalists were selected.

Finally, the FAA released a third SIR to the six finalists soliciting the development of airport traffic control tower designs to a minimum of 10 percent of completeness by January 2023. The Source Selection Evaluation Report was finalized with the FAA's Legal and Finance offices by March 2023, and the contract for the Sustainable Airport Traffic Control Tower Design Initiative was awarded in April 2023. Meeting this contract award target provides a good foundation for future milestones.

The FAA will develop a standard sustainable tower design in FY 2024. The FAA is working collaboratively with its labor partners to develop a design for a new sustainable ATCT that will meet the operational needs of the nation's airspace. This new ATCT design will be readily adaptable to various heights and local conditions, including extremes of temperature and the potential for earthquakes or hurricanes as well as snowstorms and ice, soil types, violent winds, and the corrosive effects of salt-sea air. In addition, building supports, materials, and insulation can all be "right sized" to match each location. The new ATCT design will use less energy and construction materials which are easier to recycle.

To support the agency's goal to construct 30 new ATCTs by the close of 2030, the design will focus on construction methods that will allow the FAA to build each new ATCT in a much shorter timeframe than was previously possible. This widespread construction effort will help stimulate local economies around the nation, create jobs, and impact local businesses and the daily lives of a wide variety of Americans.

The agency will also continue work initiated in FY 2022 in support of this initiative, including architect-engineering design work, field surveys, environmental impact analyses, soil and geotechnical investigations, and construction management services. These efforts will facilitate the award of airport traffic control tower construction contracts, with the first contract award planned for FY 2025.

To learn more about FAA's BIL Sustainable Airport Traffic Control Tower Design Initiative, please visit: **https://www.faa.gov/tower-design**.

Quality Assurance

Verification and Validation of Performance Information

The FAA employs strong management controls to ensure accurate and timely reporting of performance data. The FAA's robust governance structure provides oversight for the agency's performance management framework. Senior representatives from each line of business and staff office convene monthly to guide the agency's performance management and review performance data. This ensures performance reporting adheres to the highest standards and demonstrates the agency's commitment to data-centric decision-making.

The FAA's verification and validation process, which includes rigorous internal and external reviews, assures stakeholder confidence in its performance results. Performance data is independently verified by the DOT. Moreover, data from several FAA safety performance measures, such as the Commercial Air Carrier Fatality Rate, require independent verification by the National Transportation Safety Board (NTSB) and the Bureau of Transportation Statistics. Data for these measures are not final until the NTSB completes its report on each incident.

Completeness and Reliability of Performance Data

The agency's internal review processes support the integrity of our performance data. Once the FAA establishes performance metrics, the agency conducts an annual exercise to outline each metric's data sources, identify any potential statistical issues, and establish a definition of success. Where the criteria for targets have changed, the agency highlights and explains the changes. The agency also identifies and addresses any incompleteness or unreliability in the data. This vigorous attention to detail engenders a high level of confidence in the accuracy of the performance measures and the results the FAA publishes.

Scientific Knowledge to Inform Decision Making

The FAA's Environment & Energy (E&E) Research and Development (R&D) Portfolio produces data and knowledge that are the scientific and technical foundation for decision making and the development of mitigation approaches for aviation noise and emissions.

Technologies that reduce noise and emissions are regulated as a part of type certification. These environmental standards are harmonized internationally through the International Civil Aviation Organization's Committee on Aviation Environmental Protection and this research ensures that FAA maintains a lead role on the work underpinning these standards as they directly affect the domestic aviation industry. The E&E R&D Portfolio also supports noise measurements of new entrants to aid in the development of airworthiness noise certification requirements. The E&E R&D Portfolio, in close collaboration with industry, NASA, and international partners, is providing the technical basis for a review and possible modification of existing regulations to enable the development and growth of supersonic air transportation. Efforts under this Portfolio will also help the FAA understand the noise that is generated by unmanned aircraft systems and advanced air mobility vehicles, which are sometimes referred to as eVTOLs. These activities will provide the foundation the FAA requires to address certification and standards for noise before these vehicles enter service as well as to develop operational procedures concepts that could reduce their noise. This work will help ensure that FAA has adequate information to establish any needed environmental policy regarding the certification and operation of these aircraft.

Continuous Monitoring of Data

COMMERCIAL AND GENERAL AVIATION

The FAA continually monitors aviation data to identify trends, make informed decisions, and address problems before they result in an accident.

The FAA's Aviation Safety Information Analysis and Sharing (ASIAS) program gathers data from across government and industry, including data from the FAA; members of the general aviation community; commercial airlines; corporate and business aviation operators; universities; aviation manufacturers; and maintenance, repair, and overhaul organizations. Participants in ASIAS provide data

voluntarily. They share this information—often involving potential safety problems—in a non-punitive environment wherein all proprietary information is protected.

The FAA participates in two groups that monitor ASIAS data and other data. The Commercial Aviation Safety Team (CAST) brings together representatives from the government, pilot and air traffic controller associations, airlines, airports, and aviation manufacturers to identify the top safety concerns in commercial aviation and implement interventions. The General Aviation Joint Steering Committee (GAJSC) includes industry stakeholders such as pilot organizations, flight instructors, mechanics, builders, and manufacturers. Both groups issue voluntary safety enhancements that, along with new aircraft technology, regulations, and other safety activities, have substantially reduced aviation fatalities.

The FAA evaluates the effectiveness of its safety efforts, including safety enhancements issued by the CAST and the GAJSC, by setting performance goals and monitoring results. For example, the fatality risk for commercial aviation in the U.S. fell by 83 percent from 1998 to 2008, and the FAA aims to reduce the U.S. commercial fatality risk by another 50 percent from 2010 to 2025. This performance goal and the work of the CAST are discussed in more detail on pages 49–50. In addition, the FAA aims to reduce the general aviation fatality rate by 10 percent from 2019 to 2028, with a target of no more than 0.89 fatal accidents per 100,000 flight hours by 2028. The work of the GAJSC is discussed in more detail on page 53.

DRONE SAFETY TEAM (DST)

In 2016, the FAA created the Unmanned Aircraft Safety Team in response to the increased number and complexity of UAS, or drones, in operation in the national airspace. The goal of the safety team, modeled after the CAST and the GAJSC, is to ensure the safe operations of drones in the national airspace system through data-driven safety enhancements and collaboration among members of the drone industry. Recently, this team changed the name of the Unmanned Aircraft Safety Team to the Drone Safety Team (DST).

The UAS industry is new, and many small UAS companies do not yet have internal safety teams. Unlike well-established airline manufacturers and operators, these small companies have limited resources to measure, train for, anticipate, and simulate risks to their UAS or others in the sky or on the ground, even as they recognize the importance of safety. Still, even with limited data, the DST identified several UAS safety issues, including loss of control, injury, and lack of a safety culture. The DST formed new groups to examine each of these issues. Each group will create a list of safety enhancements and evaluate the efficacy of these enhancements. With a limited number of accidents, flight data analysis will be crucial to determining the root causes of accidents. The DST is also developing a governance structure for its team and a data collection strategy. The DST is committed to promoting safety through participation in Drone Safety Day (DSD). DSD is an annual campaign dedicated to educating the drone community of the importance of flying safely. DSD highlights the societal, economic, and safety benefits of safe drone operations with in-person, virtual, and hybrid events in focus areas such as education, economics, equity, environment, and emergencies.

Quality Financial Management

Financial Analysis and Oversight to Inform Decision-Making

When many people think of the FAA, they think of our air traffic controllers, aviation safety inspectors, engineers, or others in roles directly connected to the achievement of the FAA's mission to provide the safest, most efficient aerospace system in the world. But achieving our mission also requires a tremendous amount of analysis and oversight by our financial analyst professionals who work diligently behind the scenes to inform financial decision-making and ensure the agency is a responsible steward of the taxpayers' money. This section highlights a selection of these activities.

INVESTMENT ANALYSIS

The safe and efficient operation of our nation's airspace requires significant capital investment in safety, automation, communications, surveillance, navigation, weather technology, and telecommunications. These systems are complex, expensive to develop, and require regular sustainment and modernization. Capital investment is also required in functional support areas such as logistics, flight inspection, training, performance analysis, and more. The Joint Resources Council (JRC) is the agency's senior investment review board. The JRC makes executive-level resource decisions, including authorization and funding for investment programs, to ensure funding goes to investments with the highest potential to contribute to the FAA's strategic and performance goals. Before going to the JRC, every program undergoes a rigorous evaluation by the FAA Office of Finance and Management (which includes Information Technology), and the NextGen, Aviation Safety, and Air Traffic Organization offices. In these evaluations, the FAA considers many factors such as costs, user benefits, implementation timeline, and risks. In FY 2023, these organizations conducted reviews for 23 separate capital investment decisions by the JRC to ensure that cost, schedule, and benefits estimates were accurate, complete, and well-documented. These decisions encompass more than $2.6 billion in agency capital investments. See page 68 for a discussion of the FAA's Critical Acquisition Milestones on Schedule performance goal.

PROCUREMENT INVESTMENT REVIEW

The FAA relies on outside companies to provide certain contract services and systems, equipment, software, hardware, and other products in order to run the nation's airspace system and its mission support activities.

The FAA has a robust set of internal controls over contract procurements. As part of its internal controls, the Office of Finance and Management reviews procurement plans to ensure they include clearly defined requirements and performance risks and that safeguards are put into place to mitigate those risks. In addition, it ensures that measurable outcomes are documented, and that proposed contracts reflect cost/pricing model incentives and disincentives that, if implemented, would help optimize contractor performance.

In FY 2005, the FAA's Chief Financial Officer (CFO) was directed to exercise greater oversight and fiscal control over all agency procurements costing $10 million or more. The CFO approved an increase to the CFO Approval authority from $10 million to $15 million in a memorandum dated FY 2023. As a result, the CFO has approval authority over all proposed procurement actions of $15 million or more. To ensure fiscal responsibility as part of the agency's overall set of procurement controls and processes, the CFO has pre-solicitation approval authority over each of these proposed procurement actions. To inform the CFO's decision, the Office of Finance and Management analyzes costs, performance, schedule, and procurement-related risks, and makes risk-reduction recommendations. An additional benefit of these reviews is that time-consuming rework and contract reconciliations have decreased, which helps the FAA meet its procurement milestones and satisfy its business needs more efficiently and effectively. These controls also help uphold the FAA's procurement decisions when internal and external auditors review them.

Since this process of robust investment reviews over procurements began in FY 2005, the Office of Finance and Management has evaluated 1,102 procurement packages with an estimated total value of more than $162.4 billion, improving the agency's ability to better define program requirements, more accurately estimate costs, and substantiate those cost estimates. In FY 2023, the Office of Finance and Management reviewed 53 procurement packages for proposed investments to support CFO decisions for approximately $9.9 billion worth of procurements.

INFORMATION TECHNOLOGY

To better coordinate the FAA's information technology (IT) investments, any IT-related spending more than $250,000 must be approved by the FAA's Chief Information Officer. This requirement ensures that IT investments are coordinated and consistent with the FAA's agency-wide IT strategy. The IT Shared Services Committee, chaired by the Chief Information Officer, serves as a forum to discuss and ensure effective, secure, and cost-efficient use of IT resources across the agency.

CONFERENCES

In FY 2009, the CFO and FAA Acquisition Executive issued guidance requiring that all conferences estimated to cost $100,000 or more be approved by the CFO before funds may be committed. This oversight continues today in concert with additional actions taken by the FAA to strengthen policies and controls over conference spending. In FY 2010, for example, the level of approval was elevated to the Administrator, and in FY 2012 it was elevated to the Deputy Secretary of the DOT.

Reflecting strengthened internal controls for conference spending across government, in FY 2017, the Office of Management and Budget issued Memorandum M-17-26, raising the dollar threshold of conferences requiring Deputy Secretary approval to $500,000. However, to ensure continued strong fiscal responsibility, the FAA Administrator also reviews all conferences proposed to be held by the agency costing more than $20,000.

COST CONTROL PROGRAM

The FAA's strategic plan seeks to improve the agency's financial management while continuing to deliver quality customer service. As part of the FAA's Cost Control Program, FAA lines of business and staff offices make yearly estimates for cost-saving activities. They aim to achieve 90 percent of their total cost-saving estimates. Every month, the FAA tracks and reports actual cost savings for the activities included in the program. In FY 2023, the Cost Control Program met its targets for the year. The FAA's cost control efforts are described next:

FY 2023 COST CONTROL PROGRAM RESULTS
(Dollars in Thousands)

Activity	FY 2023 Savings Estimate	Actual FY 2023 Savings	FY 2023 Savings as a Percent of Estimate
SAVES	$85,000	$121,600	143%
Workers' Compensation	$5,000	$7,315	146%
National Wireless Program	$2,500	$2,685	107%
Air Traffic Basics Course	$1,500	$3,336	222%
DOT eLMS	$536	$536	100%
Total	$94,536	$135,472	143%
TARGET	$85,083		159%

How activities are selected for the Cost Control Program: For an activity to be included in the Cost Control Program, it must meet the following criteria:

- Cost savings must be measurable. Accurate estimates of cost savings must be possible.
- Cost savings estimates must be made using accepted industry standards. They must be able to withstand external and internal audits.
- Cost savings must reflect a reduction in the total costs incurred by the FAA and not a shift of costs to another fiscal year or another FAA line of business.
- Cost savings should represent genuine improvements in efficiency. They should not be the result of natural cycles in costs.
- Cost savings achieved through changes to the workforce should not reduce service levels.

The Strategic Sourcing for the Acquisition of Various Equipment and Supplies (SAVES) Program: Started in FY 2006, this ambitious effort implements private sector best practices in the FAA's procurement of administrative supplies, equipment, IT hardware, and commercial off-the-shelf software. In FY 2023, SAVES program contracts achieved $121.6 million in cost savings. Savings total $812.3 million since program implementation began in FY 2006.

Workers' Compensation: The FAA collaborates with the Department of Labor (DOL) in the management of Office of Workers' Compensation Program claims. To control costs, the FAA focuses on returning injured employees to work when medically feasible, reducing lost production days, and reducing the cost of workers' compensation claims. The FAA undertakes specific efforts to achieve this, including:

- Electronic filing of claims, expediting receipt of claims, and authorizations for medical treatment.
- Early intervention on disability claims, including initiating contact with the injured worker to discuss their responsibility to return to duty when medically able.
- Requesting and analyzing medical documentation to determine work capacity.
- Collaborating with supervisors across various DOT agencies to provide light-duty assignments when appropriate.
- Conducting ongoing reviews of long-term claims and maintaining a collaborative partnership with claims staff at the DOL.

The FAA has saved $193.1 million in workers' compensation claims since FY 2005. As a result of this success, the FAA now has centralized responsibility for managing workers' compensation claims across the DOT. In FY 2023, the FAA saved the DOT $7.3 million in workers' compensation costs. Cost avoidance is estimated as follows:

1. Short-term disability claims (disability < one year) — computed as compensation payments avoided from the date of return to work through the remaining balance of one year following the employee's date of injury. Short-term calculations are based on regulatory standards and DOL standards.[1]
2. Long-term disability claims (disability > one year) — computed as compensation payments avoided over the course of one full calendar year from the date of successful resolution (return to work, termination, reduction of benefits, etc.).
3. Questionable claims challenged by the FAA's Human Resource Management National Workers' Compensation Program Office and denied by the DOL — computed as compensation payments avoided over the course of one full calendar year from the date of injury.

National Wireless Program: This program manages cellular and satellite devices. By optimizing mobile plans for individual users and leveraging volume to obtain discounts, the FAA saved almost $2.7 million in FY 2023.

Virtualization of Air Traffic Basics Course: The Air Traffic Basics course at the FAA Academy is designed for newly hired air traffic control specialists and covers subjects prerequisite to specific skills training. By expanding the course virtually, the FAA Academy achieved cost savings of more than $3.3 million through reduced student travel in FY 2023.

DOT e-Learning Management System (DOT eLMS): The FAA extended its online learning system to all other DOT modes, covering an additional 10,500 employees and approximately 500 more courses. This consolidation resulted in fixed cost sharing, and the FAA was able to save $536,131 in FY 2023.

1 Office of Personnel Management regulations provide disabled employees with job retention rights if they return to work within one year from the commencement of their disability. DOL uses an internal goal of having disabled employees return to work within one year.

Efficiency

In addition to cost control, FAA organizations develop, track, and report quarterly on a comprehensive measure of its operating efficiency and financial performance.

Air Traffic Organization Cost-per-Operation. This cost-based metric provides a broad historical picture of the overall cost efficiency of air traffic control. The FAA regularly reviews its Air Traffic Organization's cost-per-operation to evaluate cost efficiency over the course of time and compares it with our international counterparts. The most recent Cost-per-Operation data available is for the fiscal years ending September 30, 2021 and 2022:

Air Traffic Organization Cost-per-Operation

2021	2022
$ 103.00	$ 94.47

In FY 2022, the Air Traffic Organization Cost-per-Operation decreased by 8.28 percent over FY 2021. This was driven by a 14.1 percent increase in traffic with only a 4.6 percent increase in the Air Traffic Organization costs. Data for this metric is not yet available for the full fiscal year ending September 30, 2023; however, listed below is a comparison of the Air Traffic Organization Cost-per-Operation Results for the first three quarters of FY 2022 and FY 2023, ending June 30 of each year:

Air Traffic Organization Cost-per-Operation

2022 Q3	2023 Q3
$ 94.66	$ 97.06

For the most recent partial period available (the first three quarters of FY 2023) the Air Traffic Organization Cost-per-Operation increased by 2.5 percent over the same period a year earlier. This was driven by a 4.5 percent increase in Air Traffic Organization costs with only a 1.9 percent increase in traffic. Note that this metric is the average cost-per-air traffic operation. Therefore, when the number of operations increases at a greater rate than cost, the metric decreases for a given period. Conversely, if cost increases at a greater rate than the number of operations, the metric increases for a given period.

Direct Cost-per-Launch/Reentry. This metric provides trend data for the average regulatory cost-per-launch or reentry of commercial space vehicles. This information is used to track how efficiently the FAA is interacting with the commercial space industry. Trend data are also reviewed to forecast human resource needs to regulate and support future launch and reentry operations.

Direct Cost-per-Launch/Reentry

2022
$ 165,530.00

This metric was updated at the end of FY 2022 to align with changes within AST. As a result, cost data is only available for FY 2022.

Direct Cost-per-Launch/Reentry

2022 Q3	2023 Q3
$ 169,313.00	$ 134,016.00

For the most recent partial period available (the first three quarters of FY 2023), Regulatory Cost-per-Launch/Reentry is 20.8 percent lower than it was in FY 2022 Q3. The decrease is driven by an increase in the number of launches/reentries. Note that this metric is the average direct cost per launch/reentry. Therefore, when the number of launches/reentries increases at a greater rate than cost, the metric decreases for a given period. Conversely, if cost increases at a greater rate than the number of launches/reentries, the metric increases for a given period. AST continues to grow to meet its expanding mission.

Over John F. Kennedy International Airport in New York, NY.

Photo by Miguel Angel Sanz via Unsplash.com

Financial Results

A Message from the Chief Financial Officer

David Rickard

OUR COMMITMENT TO SAFETY IS A COMMITMENT TO IMPROVE. Though our safety mission is unchanging, the FAA is not afraid of transformation. In all aspects of our work, we aim to strike a balance between tried-and-true stability and a collective pursuit of innovation. This is true for both our safety mission and our duty to deliver strong fiscal performance and accountability to the American taxpayer.

The FAA is responsible for a complex national airspace system that — between airline and airport operations, air carrier ticket sales, civilian aircraft manufacturing and operating costs, and other activities — supports approximately five percent of the United States Gross Domestic Product. Our work requires accurate accounting of the FAA's assets and systems to ensure accountability to the public. In keeping with our commitment to excellence, this year we began implementing new ways to fulfill our duties with unprecedented transparency. These improvements include launching G-Invoicing, an online platform for managing intragovernmental agreements. Once fully implemented, this change will give the public more visibility into our agency's financial integrity.

New enterprise programs and systems are complicated to implement, but I am very proud to report that we have made consistent progress against our goals while maintaining our track record of strong payment integrity at a rate of 99.7 percent accuracy.

As a finance organization, we remain motivated by the role exceptional financial management plays in supporting the FAA safety mission. This year, we achieved another unmodified audit opinion on our financial statements, a testament to our fiscal responsibility. Our stewardship of American Rescue Plan Act Airport Response Grant program payments scored a result of "not susceptible to improper payments," defined as an error rate less than one percent — evidence that even amid significant new financial programs and responsibilities, we have maintained strong payment integrity.

Also, the AGA (formerly the Association of Government Accountants) awarded the FAA our 19th Certificate of Excellence in Accountability Reporting (CEAR) award and our 10th special Best-in-Class award for a specific element of our FY 2022 PAR considered to be best across all of government.

Our newest award was for "Clear, Concise Performance Highlights." This award attests to the exceptional quality of our PAR's Performance Highlights subsection, which outlines our process for managing performance, goals, and high-level results, and presents informative and concise Performance-at-a-Glance tables. Refer to page 21 to see the Performance Highlights in this year's PAR.

As we move into FY 2024, we look forward to continuing to meet the Administrator's call to action for safety enhancements and a consistent practice for allowing data to drive our decisions. Achieving financial excellence is a challenge we take very seriously. Every day our dedicated staff work to improve the soundness of our policies and the efficiency of our processes to adopt new and expanding programs in a fiscally responsible manner. That is our commitment to every American taxpayer — and it is an important aspect of what continues to make the FAA a world-class organization.

David Rickard
Chief Financial Officer
November 9, 2023

Office of Inspector General Quality Control Review

U. S. Department of Transportation
Office of Inspector General

Memorandum

Date: November 14, 2023

Subject: ACTION: Quality Control Review of the Independent Auditor's Report on the Federal Aviation Administration's Audited Consolidated Financial Statements for Fiscal Years 2023 and 2022 | Report No. QC2024006

From: Dormayne "Dory" Dillard-Christian
Assistant Inspector General for Financial Audits

To: Federal Aviation Administrator

I respectfully submit the results of our quality control review (QCR) of the independent auditor's report on the Federal Aviation Administration's (FAA) audited consolidated financial statements for fiscal years 2023 and 2022.

We contracted with the independent public accounting firm KPMG, LLP to audit FAA's consolidated financial statements as of and for the fiscal years ended September 30, 2023, and September 30, 2022; provide an opinion on those financial statements; report on internal control over financial reporting; and report on compliance with laws and other matters. The contract required the audit to be performed in accordance with U.S. generally accepted Government auditing standards; Office of Management and Budget audit guidance; and the Government Accountability Office's and Council of the Inspectors General on Integrity and Efficiency's *Financial Audit Manual*.[1]

We appreciate the cooperation and assistance of FAA's representatives and KPMG. If you have any questions about this report, please contact me or Ingrid Harris, Program Director.

cc: The Secretary
DOT Audit Liaison, M-1
FAA Audit Liaison, AAE-100

[1] *Financial Audit Manual*, Volume 1 (GAO-22-105894), May 2023; Volume 2 (GAO-22-105895), May 2023; Volume 3, (GAO-21-105127), June 2023.

Independent Auditor's Report

In its audit report, dated November 9, 2023, KPMG states that:

- FAA's consolidated financial statements[2] (see attachment 3) were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles;
- it found one significant deficiency[3] in internal control over financial reporting that it did not consider to be a material weakness;[4] and
- there were no instances of reportable noncompliance with provisions of laws tested, or reportable other matters.

KPMG made one recommendation (see attachment 1).

Significant Deficiency

Weaknesses in general information technology controls. KPMG identified general information technology control deficiencies at the application level within the procurement system related to access controls. Specifically, controls were not operating effectively over provisioning of new or modified user access, recertification of existing system users, and termination of access.

Recommendations

To help strengthen FAA's general information technology controls, KPMG recommended that FAA management:

1. design and perform procedures to consistently approve and document new or modified user account and recertification requests and timely

[2] The consolidated financial statements are included in FAA's Performance and Accountability Report. For FAA's full Performance and Accountability Report, which includes these statements, related notes, and required supplementary information, go to https://www.faa.gov/about/plans_reports/#performance.
[3] A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness but important enough to merit attention by those charged with governance. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.
[4] A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

remove separated users as required by internal policy and standards for effective internal control systems.

Quality Control Review

We performed a QCR of KPMG's report and related documentation, and inquired of the firm's representatives. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted Government auditing standards, was not intended to enable us to express, and we do not express, an opinion on FAA's financial statements or conclusions about the effectiveness of internal control over financial reporting, or compliance with laws, or other matters. KPMG is responsible for its report and the conclusions expressed therein.

Our QCR disclosed no instances in which KPMG did not comply, in all material respects, with U.S. generally accepted Government auditing standards.

Agency Comments and OIG Response

KPMG provided FAA with its draft report on November 7, 2023, and received FAA's response, dated November 9, 2023 (see attachment 2). FAA concurred with KPMG's recommendation and committed to developing a corrective action plan to address the deficiency by December 31, 2023. We agree with KPMG's recommendation and are not making any additional recommendations.

Actions Required

We consider KPMG's recommendation open and unresolved pending receipt of the corrective action plan.

Exhibit. List of Acronyms

DOT	Department of Transportation
FAA	Federal Aviation Administration
OIG	Office of Inspector General
QCR	quality control review

Independent Auditors' Report

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Administrator, Federal Aviation Administration, and
Inspector General United States Department of Transportation, Federal Aviation Administration:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the United States Department of Transportation, Federal Aviation Administration (FAA), which comprise the consolidated balance sheets as of September 30, 2023 and 2022, and the related consolidated statements of net costs and changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the FAA as of September 30, 2023 and 2022, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-01 are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the FAA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter - Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the Performance and Accountability Report to provide additional information for the users of its consolidated financial statements. Such information is not a required part of the consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 24-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 24-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the FAA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the Performance and Accountability Report. The other information comprises the Snapshot of Resources, Foreword, Messages from the Deputy Administrator and the Chief Financial Officer, Performance Results, and Other Information sections, as listed in the Table of Contents of the Performance and Accountability Report but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2023, we considered the FAA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the FAA's internal control. Accordingly, we do not express an opinion on the effectiveness of the FAA's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying exhibit as item 2023-1, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the FAA's consolidated financial statements as of and for the year ended September 30, 2023 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-01.

FAA's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the FAA's response to the findings identified in our audit and described and presented in the section *Management's Response to the Independent Auditors' Report*. The FAA's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

Purpose of the Reporting Required by Government Auditing Standards

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the FAA's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
November 9, 2023

Federal Aviation Administration
Independent Auditors' Report
Internal Control Over Financial Reporting

EXHIBIT I
SIGNIFICANT DEFICIENCY

2023 - 01: Weaknesses in General Information Technology Controls

Background

The Federal Aviation Administration (FAA) utilizes a procurement system to record and track requisitions, purchase orders, and contracts and to compile amounts recorded in its consolidated financial statements.

Criteria

The U.S. Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government* (Green Book), sets the standards for an effective internal control system and provides an overall framework for designing, implementing, and operating effective internal control systems. The standards require entities to design appropriate types of control activities to include limiting access to resources and records to authorized individuals, and to periodically compare resources with the recorded accountability to help reduce the risk of errors, fraud, misuse, or unauthorized alteration. In addition, management should communicate quality information down and across reporting lines to enable personnel to perform key roles in achieving objectives, addressing risks, and supporting the internal control system. In these communications, management assigns the internal control responsibilities for key roles.

Condition

Control deficiencies exist at the application level within the procurement system related to access controls as listed below:

- Controls were not designed or operating effectively over provisioning of new or modified user access.
- Controls were not designed effectively over the recertification of existing system users.
- Controls were not operating effectively over termination of access.

Cause

Management has not designed and consistently performed procedures to ensure compliance with internal policy and standards for effective internal control systems.

Effect

User accounts with inappropriate access may allow for unauthorized use, disclosure, or modification of system data which could result in a misstatement in the consolidated financial statements not being prevented, detected, or corrected.

Recommendation

We recommend that FAA management design and perform procedures to consistently approve and document new or modified user account and recertification requests and timely remove separated users as required by internal policy and standards for effective internal control systems.

Management's Response to the FY 2023 Independent Auditors' Report

U.S. Department of Transportation
Federal Aviation Administration

Office of Financial Services

800 Independence Ave. S.W.
Washington, DC 20591

November 9, 2023

Mr. James Gould
KPMG LLP
1801 K Street, NW, Suite 1200
Washington, DC 20006

Dear Mr. Gould,

We have received your Independent Auditors' Report related to the Federal Aviation Administration's fiscal years 2023 and 2022 consolidated financial statements and offer the following response.

We appreciate working with you in support of the audit and are pleased to receive an unmodified audit result with no material weaknesses. The Federal Aviation Administration values the audit as an essential component of our fiscal responsibilities, and we take that responsibility very seriously – from the highest levels of leadership and throughout the entire agency.

We concur with the finding and recommendations in your report that more timely and documented user account access reviews are needed, as well as more consistent and timely notification of user separations. We will provide our corrective action plan to the Office of Inspector General by December 31, 2023. The corrective actions will include but not be limited to, strengthening controls over user recertification, better communication of separations to ensure timely removal of system access, and adoption of robotics process automation where appropriate for greater efficiency and consistency in these processes. I will monitor implementation of the plan throughout the corrective action process.

Thank you for the professional manner in which you and your team conducted your audit.

Sincerely,

David Rickard
Chief Financial Officer

Financial Statements

U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION

CONSOLIDATED BALANCE SHEETS

As of September 30, 2023 and 2022
(Dollars in Thousands)

Assets	**2023**	**2022**
Intragovernmental		
Fund balance with Treasury (Note 2)	$ 17,138,803	$ 17,227,884
Investments, net (Note 3)	19,135,876	13,211,744
Accounts receivable, net (Note 4)	13,125	24,930
Advances and prepayments	129,252	135,404
Total intragovernmental	36,417,056	30,599,962
Other than intragovernmental		
Accounts receivable, net (Note 4)	49,735	45,917
Inventory and related property, net (Note 5)	838,828	834,759
General property, plant, and equipment, net (Note 6)	11,803,546	11,545,951
Advances and prepayments	1,881	1,939
Total other than intragovernmental	12,693,990	12,428,566
Total assets	$ 49,111,046	$ 43,028,528
Liabilities		
Intragovernmental		
Accounts payable	$ 10,545	$ 12,124
Advances from others and deferred revenue	214,189	221,347
Other liabilities (Note 10)	331,433	322,400
Total intragovernmental	556,167	555,871
Other than intragovernmental		
Accounts payable	508,403	457,243
Federal employee benefits payable (Note 8)	1,236,803	1,246,691
Environmental and disposal liabilities (Note 9)	857,168	783,215
Advances from others and deferred revenue	146,830	131,986
Other liabilities		
Accrued grant liabilities	3,243,824	6,640,832
Other (Note 10)	487,695	478,489
Total other than intragovernmental	6,480,723	9,738,456
Total liabilities	$ 7,036,890	$ 10,294,327
Commitments and contingencies (Note 12)		
Net position		
Unexpended appropriations – funds from dedicated collections (consolidated) (Note 13)	$ 1,163,150	$ 1,255,980
Unexpended appropriations – funds from other than dedicated collections (consolidated)	10,675,400	6,671,859
Total unexpended appropriations (consolidated)	11,838,550	7,927,839
Cumulative results of operations – funds from dedicated collections (consolidated) (Note 13)	21,399,280	15,838,992
Cumulative results of operations – funds from other than dedicated collections (consolidated)	8,836,326	8,967,370
Total cumulative results of operations (consolidated)	30,235,606	24,806,362
Total net position	42,074,156	32,734,201
Total liabilities and net position	$ 49,111,046	$ 43,028,528

The accompanying notes are an integral part of these financial statements.

U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION

CONSOLIDATED STATEMENTS OF NET COST

For the Years Ended September 30, 2023 and 2022
(Dollars in Thousands)

Line of business programs (Note 14)	**2023**	**2022**
Air Traffic Organization		
Gross program costs	$ 14,155,606	$ 13,326,871
Less earned revenues	(449,380)	(366,057)
Net costs	13,706,226	12,960,814
Airports		
Gross program costs	5,033,320	7,856,851
Net costs	5,033,320	7,856,851
Aviation Safety		
Gross program costs	1,984,367	1,819,190
Less earned revenues	(12,001)	(8,486)
Net costs	1,972,366	1,810,704
Security and Hazardous Materials Safety		
Gross program costs	176,050	154,278
Less earned revenues	(87,229)	(24,361)
Net costs	88,821	129,917
Commercial Space Transportation		
Gross program costs	47,499	39,405
Net costs	47,499	39,405
Non-line of business programs		
Gross program costs	280,827	266,678
Less earned revenues	(211,224)	(196,673)
Net costs	69,603	70,005
Net cost of operations		
Total gross program costs	21,677,669	23,463,273
Less earned revenues	(759,834)	(595,577)
Total net cost	$ 20,917,835	$ 22,867,696

The accompanying notes are an integral part of these financial statements.

U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

For the Years Ended September 30, 2023 and 2022
(Dollars in Thousands)

	2023			2022		
	Funds from dedicated collections (consolidated) (Note 13)	Funds from other than dedicated collections (consolidated)	Consolidated total	Funds from dedicated collections (consolidated) (Note 13)	Funds from other than dedicated collections (consolidated)	Consolidated total
Unexpended appropriations						
Beginning balances	$ 1,255,980	$ 6,671,859	$ 7,927,839	$ 716,250	$ 4,838,873	$ 5,555,123
Appropriations received (Note 16)	1,921,179	5,558,555	7,479,734	5,000,000	5,951,180	10,951,180
Appropriations transferred-in/out	1,080	(2,000)	(920)	-	(2,000)	(2,000)
Other adjustments	(25,023)	(48,227)	(73,250)	(24)	-	(24)
Appropriations used	(1,990,066)	(1,504,787)	(3,494,853)	(4,460,246)	(4,116,194)	(8,576,440)
Net change in unexpended appropriations	(92,830)	4,003,541	3,910,711	539,730	1,832,986	2,372,716
Total unexpended appropriations – ending	$ 1,163,150	$ 10,675,400	$ 11,838,550	$ 1,255,980	$ 6,671,859	$ 7,927,839
Cumulative results of operations						
Beginning balances	$ 15,838,992	$ 8,967,370	$ 24,806,362	$ 17,645,310	$ 9,920,971	$ 27,566,281
Appropriations used	1,990,066	1,504,787	3,494,853	4,460,246	4,116,194	8,576,440
Non-exchange revenue – excise taxes and other	22,600,967	-	22,600,967	11,537,748	-	11,537,748
Transfers-in/out without reimbursement	(2,082,135)	1,579,891	(502,244)	(1,639,247)	1,188,858	(450,389)
Donations and forfeitures of property	-	13,012	13,012	-	24,868	24,868
Imputed financing (Note 15)	729,908	17,968	747,876	407,877	11,233	419,110
Other	(1)	(7,384)	(7,385)	-	-	-
Net cost of operations	17,678,517	3,239,318	20,917,835	16,572,942	6,294,754	22,867,696
Net change in cumulative results of operations	5,560,288	(131,044)	5,429,244	(1,806,318)	(953,601)	(2,759,919)
Cumulative results of operations – ending	$ 21,399,280	$ 8,836,326	$ 30,235,606	$ 15,838,992	$ 8,967,370	$ 24,806,362
Net Position	$ 22,562,430	$ 19,511,726	$ 42,074,156	$ 17,094,972	$ 15,639,229	$ 32,734,201

The accompanying notes are an integral part of these financial statements.

U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION

COMBINED STATEMENTS OF BUDGETARY RESOURCES

For the Years Ended September 30, 2023 and 2022
(Dollars in Thousands)

Budgetary resources (Note 16)	**2023**	**2022**
Unobligated balance from prior year budget authority, net	$ 11,387,867	$ 10,024,552
Appropriations	20,624,528	20,505,993
Contract authority	3,350,000	3,350,000
Spending authority from offsetting collections	10,998,101	7,169,001
Total budgetary resources	$ 46,360,496	$ 41,049,546
Status of budgetary resources		
New obligations and upward adjustments	$ 34,306,979	$ 30,275,337
Unobligated balance, end of year		
Apportioned, unexpired accounts	9,444,480	7,937,515
Unapportioned, unexpired accounts	2,420,929	2,675,069
Unexpired unobligated balance, end of year	11,865,409	10,612,584
Expired unobligated balance, end of year	188,108	161,625
Unobligated balance, end of year (total)	12,053,517	10,774,209
Total budgetary resources	$ 46,360,496	$ 41,049,546
Outlays, net		
Outlays, net (total)	$ 23,824,106	$ 23,071,125
Distributed offsetting receipts	(17,685)	(9,669)
Agency outlays, net	$ 23,806,421	$ 23,061,456

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

A. REPORTING ENTITY

The reporting entity is a component of the U.S. Government. For this reason, some of the assets and liabilities reported by the entity may be eliminated for government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component of the U.S. Government.

Created in 1958, the FAA is a component of the Department of Transportation (DOT), a cabinet-level agency of the executive branch of the federal government. The FAA's mission is to provide a safe, secure, and efficient global aerospace system that contributes to national security and safety. As the leading authority in the international aviation community, the FAA is responsive to the dynamic nature of customer needs, economic conditions, and environmental concerns.

The U.S. Congress annually enacts appropriations to permit the FAA to incur obligations for specified purposes. The FAA is accountable for amounts made available per appropriations laws, from the Airport and Airway Trust Fund (AATF), revolving funds, a special fund, and the General Fund. The FAA recognizes budgetary resources as assets when authorized by congressional action and apportioned by the Office of Management and Budget (OMB).

The FAA has contract authority, which allows the agency to enter into contracts prior to receiving an appropriation for the payment of obligations. A subsequently enacted appropriation provides funding to liquidate the obligations. Current contract authority is provided for the Airport Improvement Program (AIP) and funded by appropriations from the AATF.

The FAA also has spending authority from offsetting collections primarily from a non-expenditure transfer from the AATF for Operations funding. The balance of the spending authority from offsetting collections comes from other federal agencies which fund reimbursable activities performed by the FAA on their behalf.

The consolidated and combined financial statements present the accounts of all funds that have been established and maintained to account for the resources under the FAA's control. The FAA has rights and ownership of all assets reported in these financial statements. The FAA does not possess any non-entity assets.

The reporting entity is comprised of the FAA's lines of business and staff offices.

The FAA is the sponsor of the Center for Advanced Aviation System Development (CAASD), a Federally Funded Research and Development Center (FFRDC). CAASD is a disclosure entity, which is not a consolidated entity. While the FAA's financial statements include its spending for studies it contracts with CAASD, the financial statements of the FAA do not include the financial results or position of CAASD. Additional information on FAA's relationship with CAASD is presented in Note 19.

B. PARENT-CHILD REPORTING

The FAA is a party to allocation transfers with other Federal agencies as a receiving (child) entity. Allocation transfers are legal delegations by one entity of its authority to obligate budget authority and outlay funds to another entity. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. All financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity from which the underlying legislative authority, appropriations and budget apportionments are derived. The FAA receives allocation transfers, as the child, from the Department of Transportation. The FAA does not have any allocation transfers where it is the parent.

C. BASIS OF PRESENTATION

The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and status and availability of budgetary resources of the FAA. The statements are a requirement of the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. They have been

prepared from, and are fully supported by, the books and records of the FAA in accordance with OMB Circular A-136, as revised, *Financial Reporting Requirements*, and the DOT and the FAA significant accounting policies, the latter of which are summarized in this note. The statements are subjected to audit, as required by OMB Bulletin 24-01, *Audit Requirements for Federal Financial Statements*.

All material intra-agency activity has been eliminated for presentation on a consolidated basis. However, the statement of budgetary resources is presented on a combined basis in accordance with OMB Circular A-136, as revised, *Financial Reporting Requirements*. Funds from dedicated collections and funds from other than dedicated collections, presented separately in the balance sheets and statements of changes in net position, are presented on a consolidated basis. Intra-agency activity between funds from dedicated collections and funds from other than dedicated collections are eliminated within the consolidated total.

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Unless specified otherwise, all dollar amounts are presented in thousands.

D. BASIS OF ACCOUNTING

The financial statements are prepared in accordance with all applicable accounting principles and standards developed and issued by the Federal Accounting Standards Advisory Board, which is recognized by the American Institute of Certified Public Accountants as the entity to establish generally accepted accounting principles for the federal government. The Federal Financial Management Improvement Act of 1996 requires the FAA to comply substantially with (1) federal financial management systems requirements, (2) applicable federal accounting standards, and (3) the United States Standard General Ledger requirements at the transaction level.

Transactions are recorded on both an accrual accounting basis and a budgetary accounting basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal requirements on the use of federal funds.

Due to the inherent limitations on the ability to perform accrual accounting for nonexchange revenue, the accrual standard for nonexchange revenue might be best characterized as a "modified cash" basis of accounting.

E. REVENUES AND OTHER FINANCING SOURCES

As a component of the U.S. Government-wide reporting entity, the FAA is subject to the federal budget process, which involves appropriations that are provided annually and appropriations that are provided on a permanent basis. The financial transactions that are supported by budgetary resources, which include appropriations, are generally the same transactions reflected in entity and the U.S. Government-wide financial reports.

The FAA's budgetary resources reflect past congressional action and enable the entity to incur budgetary obligations, but they do not reflect assets to the U.S. Government as a whole. Budgetary obligations are legal obligations for goods, services, or amounts to be paid based on statutory provisions. After budgetary obligations are incurred, the U.S. Treasury will make disbursements to liquidate the budgetary obligations and finance those disbursements in the same way it finances all disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

The U.S. Congress enacts annual, multi-year, and no-year appropriations to be used, within statutory limits, for operating, capital, and grant expenditures. Additional amounts are obtained from service fees (e.g., landing, registry, and aviation user fees), and through reimbursements for products and services provided to domestic and foreign governmental entities, and the public.

The AATF is sustained by excise taxes that the Internal Revenue Service (IRS) collects from airway system users. Excise taxes collected are initially deposited to the General Fund of the U.S. Government. The IRS does not receive sufficient information at the time the excise taxes are collected to determine how they should be distributed to specific funds from dedicated collections. Therefore, the U.S. Treasury makes initial semi-monthly distributions to the AATF based on allocations prepared by its Office of Tax Analysis. These allocations are based on historical excise tax data applied to current excise tax receipts and later adjusted to agree to actual collections when certified by the IRS.

The FAA's September 30, 2023 financial statements reflect excise taxes certified by the IRS through June 30, 2023, and excise taxes allocated by the Office of Tax Analysis

for the period July 1, 2023 through September 30, 2023, in compliance with Statement of Federal Financial Accounting Standards Number 7, *Accounting for Revenue and Other Financing Sources*. Actual excise tax collections for the quarter ended September 30, 2023 will not be available from the IRS until after the statements are released. When actual amounts are certified by the IRS, generally four to five months after the end of each quarter, adjustments are made to the AATF to account for the difference. Additional information on this subject is disclosed in Note 13.

Interest on investments is recognized as revenue on an accrual basis, and classified as exchange or nonexchange depending on the predominant source of funds upon which the interest payment is based.

Appropriations are recognized as a financing source when expended. Revenues from services provided by the FAA associated with reimbursable agreements are recognized concurrently with the recognition of accrued expenditures for performing the services.

Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by the FAA are recognized as imputed cost (in the Statement of Net Cost), and are offset by imputed financing (in the Statement of Changes in Net Position). Such imputed costs and revenues relate to business-type activities, employee benefits, and claims to be settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements.

F. TAXES

The FAA, as a federal entity, is not subject to federal, state, or local income taxes and, accordingly, does not record a provision for income taxes in the accompanying financial statements.

G. FUND BALANCE WITH THE U.S. TREASURY

The U.S. Treasury processes cash receipts and disbursements. Funds held with the U.S. Treasury are available to pay agency liabilities. The FAA does not maintain cash in commercial bank accounts or foreign currency balances. Foreign currency payments are made either by the U.S. Treasury or the U.S. Department of State and are reported by the FAA in the U.S. dollar equivalent.

Fund balance with Treasury is an asset of the FAA and a liability of the General Fund of the U.S. Government. Similarly, investments in U.S. Government securities that are held by dedicated collections accounts are assets of the FAA and liabilities of the General Fund of the U.S. Government. In both cases, the amounts represent commitments by the government to provide resources for particular programs, but they do not represent net assets to the government as a whole.

When the FAA seeks to use fund balance with Treasury or investments in U.S. Government securities to liquidate budgetary obligations, Treasury will finance the disbursements in the same way it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

H. INVESTMENT IN U.S. GOVERNMENT SECURITIES

Unexpended funds in the AATF and Aviation Insurance Revolving Fund are invested in U.S. Government securities and reported at cost. A portion of the AATF investments is liquidated monthly in amounts needed to provide cash for the FAA appropriation accounts, to the extent authorized. Aviation Insurance Revolving Fund investments are intended to be held to maturity, but may be liquidated to pay insurance claims when necessary. Investments, redemptions, and reinvestments are held and managed under the direction of the FAA by the U.S. Treasury.

I. ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts owed to the FAA by other federal agencies and the public. Amounts due from federal agencies are generally the result of the provision of goods and services to other federal agencies. Accounts receivable from the public include, for example, aviation user fees, fines and penalties, reimbursements from employees, and services performed for foreign governments. Accounts receivable are presented net of an allowance for loss on uncollectible amounts, which is based on historical collection experience or an analysis of the individual receivables.

J. INVENTORY

Within the FAA's Administrative Services Franchise Fund (Franchise Fund), inventory is held for sale to the FAA field locations and other domestic entities and foreign governments. Inventory consists of materials and supplies that the FAA uses to support our nation's airspace system and is predominantly located at the Mike Monroney Aeronautical Center in Oklahoma City, Oklahoma.

Inventory costs include material, labor, and applicable manufacturing overhead.

Inventory held for sale includes both purchased inventory and refurbished inventory. Inventory held for sale is valued using historical cost, applying the moving average cost flow method. The moving average cost flow method is an inventory costing method used in conjunction with a perpetual inventory system. A weighted average cost per unit is recomputed after every purchase. Goods sold are costed at the most recent moving average cost.

The FAA has an exchange and repair program where the FAA field locations exchange non-operational components with the Franchise Fund for operational components. The non-operational repairable components are classified as "held for repair" and valued using the direct method. Under the direct method, inventory held for repair is valued at the same value as a serviceable item less the estimated repair costs.

Raw materials and work in progress is comprised of repairable inventory components, the materials used to bring the components to a re-useable or serviceable condition along with the labor and overhead incurred during the refurbishing process. Raw materials are valued using historical cost, applying the moving average cost flow method. The repairable components, reported as work in progress, are valued at the same value as a serviceable item less the estimated repair costs at the time of transfer from the "held for repair" account to the work in progress account. When the refurbishing process is complete, the inventory components are reclassified to "held for sale."

Inventory may be deemed to be "excess, obsolete, and unserviceable" if, for example, the quantity exceeds projected demand for the foreseeable future or if the item has been technologically surpassed. The "excess, obsolete, and unserviceable" inventory is determined to have no residual net realizable value, therefore, a loss is recognized to write off the inventory in the current period.

K. OPERATING MATERIALS AND SUPPLIES

Operating materials and supplies primarily consist of unissued materials and supplies that will be used in the repair and maintenance of FAA-owned aircraft. They are valued based on the latest acquisition cost. Operating materials and supplies are expensed using the consumption method of accounting. Under the consumption method, goods are recognized as assets upon acquisition and are expensed as they are consumed.

Operating materials and supplies "held for use" are those items that are consumed on a regular and ongoing basis. Operating materials and supplies "held for repair" are awaiting service to restore their condition to "held for use." An allowance of 50 percent has been established for operating materials and supplies "held for repair" based on historical experience.

Operating materials and supplies may be classified as "excess, obsolete, and unserviceable" if, for example, the quantity exceeds projected demand for the foreseeable future or if the item has been technologically surpassed. An allowance is established for "excess, obsolete, and unserviceable" operating materials and supplies based on the condition of various asset categories as well as the FAA's historical experience with disposing of such assets.

L. PROPERTY, PLANT, AND EQUIPMENT

The FAA capitalizes acquisitions of Property, Plant, and Equipment (PP&E) when the cost equals or exceeds $100 thousand (except for internal use software, for which the threshold is $200 thousand) and the useful life equals or exceeds two years. The FAA records PP&E at original acquisition cost. However, where applicable, the FAA allocates an average cost of like assets within a program, commonly referred to as "unit costing." The FAA purchases some capital assets in large quantities, which are known as "bulk purchases." If the cost per unit is below the capitalization threshold of the FAA, then these items are expensed.

Depreciation expense is calculated using the straight-line method. Depreciation commences the first month after the asset is placed in service. The FAA does not recognize residual value of its PP&E.

Real property assets, such as buildings, air traffic control towers, en route air traffic control centers, mobile buildings, roads, sidewalks, parking lots, and other structures, are depreciated over a useful life of up to 40 years.

Personal property assets, such as aircraft; decision support systems; navigation-, surveillance-, communications-, and weather-related equipment; office furniture; vehicles; and office equipment, are depreciated over a useful life of up to 20 years.

Internal use software, such as software used to operate programmatic and administrative information systems, is generally amortized over a useful life of five years. However, it may be adjusted if a determination is made by specific program office and/or subject matter experts to have a longer or shorter useful life (not less than two years).

Construction in progress and internal use software in development are valued at actual direct costs plus applied overhead and other indirect costs.

The FAA researches and develops new technologies to support the nation's airspace system. Until such time as a research and development project reaches "technological feasibility," the costs associated with the project are expensed in the year incurred.

M. LEASES

The FAA occupies certain real property that is leased from the General Services Administration (GSA). The FAA also has non-GSA leases. Payments made by the FAA are based on contractual agreements. Future payments are disclosed for both cancellable and non-cancellable operating leases, but not disclosed separately since most lease agreements are either cancellable or contain termination rights.

Capital leases for buildings and equipment are amortized over the lease term. If the lease agreement contains a bargain purchase option or otherwise provides for transferring title of the asset to the FAA, the buildings are depreciated over a 40-year service life and the equipment is depreciated over its estimated useful life.

N. PREPAID CHARGES

The FAA generally does not pay for goods and services in advance, except for certain reimbursable agreements, subscriptions, and payments to contractors and employees. Payments made in advance of the receipt of goods and services are recorded as prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

O. LIABILITIES

Liabilities covered by budgetary or other resources are those liabilities for which the U.S. Congress has appropriated funds, and which are otherwise available to pay amounts due. Liabilities not covered by budgetary or other resources represent amounts owed in excess of available, congressionally-appropriated funds or other amounts. The liquidation of liabilities not covered by budgetary or other resources is dependent on future congressional appropriations or other funding, including the AATF. Liabilities not requiring budgetary resources include custodial liabilities which are collections on behalf of other federal entities or funds, such as the General Fund of the U.S. Government. Custodial liabilities are liquidated when the collections are transferred to the owner. Intragovernmental liabilities are claims against the FAA by other federal agencies.

P. ACCOUNTS PAYABLE

Accounts payable are amounts that the FAA owes to other federal agencies and the public. Accounts payable to federal agencies generally consist of amounts due under interagency reimbursable agreements. Accounts payable to the public primarily consist of unpaid goods and services received by the FAA in support of our nation's airspace system.

Q. ANNUAL, SICK, AND OTHER LEAVE

Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. For each biweekly pay period, the balance in the accrued annual leave account is adjusted to reflect the latest pay rates and unused hours of leave. Liabilities associated with other types of vested leave, including compensatory, credit hours, restored leave, and sick leave in certain circumstances, are accrued based on latest pay rates and unused hours of leave. Sick leave is generally non-vested, except for sick leave balances at retirement under the terms of certain union agreements. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Non-vested leave is expensed when used.

R. FEDERAL EMPLOYEES' COMPENSATION ACT

The Federal Employees' Compensation Act (FECA), Public Law 103-3, provides income and medical cost protection to covered federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases.

The FECA program is administered by the Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from the FAA for these paid claims. The FECA liability consists of two elements. The first element, accrued FECA liability, is based on workers' compensation claims paid by DOL but not yet reimbursed by the FAA. The FAA reimburses DOL for claims as funds are appropriated for this purpose. In general, there is a two-year period between payment by DOL and reimbursement to DOL by the FAA. As a result, the FAA recognizes an intragovernmental liability for the claims paid by DOL and not yet reimbursed by the FAA.

The second element, actuarial FECA liability, is the estimated liability for future benefit payments. The actuarial FECA liability includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation

cases, plus a component for incurred but unreported claims. DOL determines the actuarial FECA liability annually, as of September 30, using an actuarial method that considers historical benefit payment patterns, wage inflation factors, medical inflation factors, and other variables. The projected annual benefit payments are discounted to present value using the OMB economic assumptions for 10-year Treasury notes and bonds. The DOL calculates the FECA liability for the DOT, and the DOT allocates the liability amount to the FAA, based on actual workers' compensation payments to FAA employees over the preceding four years. The actuarial FECA liability is not covered by budgetary resources and will require future funding.

S. RETIREMENT PLAN

FAA employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). The employees who participate in the CSRS contribute seven percent of their pay and are beneficiaries of the FAA's matching contribution program, equal to seven percent of pay, distributed to their annuity account in the Civil Service Retirement and Disability Fund.

FERS went into effect on January 1, 1987. FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1984 could elect either to join FERS and Social Security or to remain in CSRS. FERS offers a savings plan to which the FAA automatically contributes one percent of pay and matches any employee contribution up to an additional four percent of pay. For FERS participants, the FAA also contributes the employer's matching share for Social Security. The FAA's matching contributions are recognized as operating expenses.

The FAA recognizes the full cost of pensions and other retirement benefits during an employee's active years of service. The costs are covered through a combination of FAA appropriations and imputed costs. The imputed amount is calculated using the Office of Personnel Management's (OPM) cost factors and is the difference between the FAA's and the employee's contributions during the year and the total cost of the benefit. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to the FAA.

The OPM also provides information regarding the full cost of health and life insurance benefits. The imputed costs are completely offset with other financing sources, which are reported as an imputed financing source on the Consolidated Statements of Changes in Net Position to the extent that these costs will be paid by the OPM. Reporting of the assets and liabilities associated with the retirement plans is the responsibility of the administering agency, OPM. Therefore, the FAA does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to employees.

T. GRANTS

The FAA records an obligation at the time a grant is awarded. As grant recipients conduct eligible activities under the terms of their grant agreement, they request payment by the FAA, typically made via an electronic payment process. Expenses are recorded at the time of payment approval during the year. The FAA also recognizes an accrued liability and expense for estimated eligible grant payments not yet requested by grant recipients. Grant expenses, including associated administrative costs, are classified on the Consolidated Statements of Net Cost under the Airports line of business.

U. USE OF ESTIMATES

Management has made certain estimates and assumptions when reporting assets, liabilities, revenues, and expenses, and in the note disclosures. Actual results could differ from these estimates. Significant estimates underlying the accompanying financial statements include: (a) legal, environmental, and contingent liabilities; (b) accruals of accounts and grants payable; (c) allowance for doubtful accounts receivable; (d) allowances for operating materials and supplies; (e) allocations of common costs to construction in progress; (f) the allocation of an average cost of like property, plant, and equipment within a program, commonly referred to as unit costing; and (g) accrued benefits and benefits payable.

V. ENVIRONMENTAL AND DISPOSAL LIABILITIES

In compliance with applicable laws and regulations including the Clean Air Act of 1963, the Resource Conservation and Recovery Act of 1976, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended by the Superfund Amendments and Reauthorization Act of 1986 and the Community Environmental Response Facilitation Act of 1992, the FAA recognizes two types of environmental and disposal liabilities: environmental remediation and environmental cleanup.

The liability for environmental remediation is an estimate of costs necessary to bring a known contaminated site into compliance with applicable environmental standards. The increase or decrease in the annual liability is charged to current year expense.

The liability for environmental cleanup is the estimated cost that will be incurred to remove, contain, and/or dispose of hazardous materials when an asset presently in service is shutdown. The FAA estimates the environmental cleanup costs at the time that an FAA-owned asset is placed in service. For assets placed in service through FY 1998, the increase or decrease in the estimated environmental cleanup liability is charged to expense. Assets placed in service in FY 1999 and after do not contain any known hazardous materials, and therefore do not have associated environmental liabilities.

There are no known possible changes to these estimates based on inflation, deflation, technology, or applicable laws and regulations.

W. ADVANCES FROM OTHERS AND DEFERRED REVENUE

Advances from others and deferred revenue are amounts received for goods or services to be delivered or performed in the future and reflect amounts that have yet to be earned.

X. CONTINGENCIES

A contingent liability represents a potential cost to the FAA depending on the outcome of future events. Three categories of contingent liabilities — probable, reasonably possible, and remote — determine the appropriate accounting treatment. The FAA recognizes contingent liabilities, in the accompanying balance sheet and statement of net cost, when they are both probable and can be reasonably estimated. The FAA discloses contingent liabilities in the notes to the financial statements (see Note 12) when the conditions for liability recognition are not met but are reasonably possible. Contingent liabilities that are considered remote are not disclosed.

In some cases, once losses are certain, payments may be made from the Judgment Fund maintained by the U.S. Treasury rather than from the amounts appropriated to the FAA for agency operations. Payments from the Judgment Fund are recorded as "Imputed financing" when made.

Y. FUNDS FROM DEDICATED COLLECTIONS

The FAA's financial statements include the following funds, considered to be "funds from dedicated collections":

- AATF
- Operations-AATF
- Operations–General Fund
- Grants-in-Aid for Airports-AATF
- Facilities and Equipment-AATF
- Research, Engineering, and Development-AATF
- Aviation Insurance Fund
- Aviation User Fees

Funds from dedicated collections are those that are financed by specifically identified revenues and financing sources which remain available over time. They are required by statute to be used for designated activities, benefits, or purposes and must be accounted for separately from the government's general revenues.

The AATF is funded by excise taxes that the IRS collects from airway system users. These receipts are unavailable until appropriated by the U.S. Congress. Once appropriated for use, the FAA transfers the AATF receipts necessary to meet cash disbursement needs to several other funds, from which expenditures are made. Those funds that receive transfers from the AATF are the Operations-AATF, Grants-in-Aid for Airports-AATF, Facilities and Equipment-AATF, and Research, Engineering and Development-AATF. These funds represent the majority of the FAA's annual expenditures.

In addition, while the Operations-General Fund is primarily funded through transfers from Operations-AATF, it is also supplemented by funding from the General Fund of the U.S. Government through annual appropriations. Because the Operations-General Fund is primarily funded from the AATF, and because it is not reasonably possible to differentiate cash balances between those originally flowing from the AATF versus those that come from general fund appropriations, the Operations-General Fund is presented as funds from dedicated collections.

Similarly, while the Grants-in-Aid for Airports-AATF account is typically funded through transfers from the AATF, it was also supplemented by funding from the General Fund of the U.S. Government as a result of the CARES Act. Because the funding from general fund appropriations is expected to be temporary and the predominant source of funding historically comes from the AATF, Grants-in-Aid for Airports-AATF is presented as funds from dedicated collections.

The funds from dedicated collections in the Facilities and Equipment-AATF fund are used to purchase or construct PP&E. When PP&E has been placed in service, the funds from dedicated collections are no longer available for future expenditure, have been used for their intended purpose, and are therefore classified as "funds from other

than dedicated collections" on the balance sheet and the statement of changes in net position. Construction in progress is classified as "funds from dedicated collections" because although the funds have been expended, they have not yet fully achieved their intended purpose. The intended result of this presentation is to differentiate between funds from dedicated collections that remain available for future expenditure, or have not yet fully achieved their designated purpose, and funds from dedicated collections previously expended that have achieved their intended purpose.

Additional disclosures concerning funds from dedicated collections can be found in Note 13.

Z. CHANGES IN PRESENTATION

Changes to prior year financial statements, including notes, presented in the current year comparative financial statements were made to conform to the current year presentation, and not the result of a correction of an error or a change in accounting principle.

These changes include a change in the sequence of note disclosures for liabilities not covered by budgetary resources and federal employee benefits payable, and the addition of a new note disclosure for expenditure transfers between FAA accounts.

Note Disclosures Related to the Balance Sheet

Note 2. Fund Balance with Treasury

Status of fund balance with Treasury balances as of September 30, 2023 and 2022 were:

(Dollars in Thousands)	2023	2022
Status of fund balance with Treasury		
Unobligated balance		
Available	$ 9,444,480	$ 7,937,515
Not available	2,609,037	2,836,694
Obligated balance not yet disbursed	17,153,189	18,352,011
Investments and contract authority supporting obligated and unobligated balances	(12,068,701)	(11,901,189)
Non-budgetary fund balance with Treasury	798	2,853
Total	$ 17,138,803	$ 17,227,884

Unobligated budgetary account balances are also reflected on the Statement of Budgetary Resources. Certain unobligated balances may be restricted to future use and are not available for current use. For additional information, see Legal Arrangements Affecting the Use of Unobligated Balances in Note 16.

Obligated balances not yet disbursed include unpaid obligations offset by uncollected customer payments from other U.S. federal government entities.

The FAA is funded with appropriations from the AATF and the General Fund of the U.S. Government. While amounts appropriated from the General Fund of the U.S. Government are included in fund balance with Treasury, AATF investments are not. AATF investments are redeemed, as needed, to meet the FAA's cash disbursement needs, at which time the funds are transferred into fund balance with Treasury. The FAA also receives contract authority that allows obligations to be incurred in advance of an appropriation. The contract authority is subsequently funded, as authorized, from the AATF allowing for the liquidation of the related obligations.

Thus, investments and contract authority are not part of fund balance with Treasury; however, their balances will be transferred from the AATF to fund balance with Treasury over time to liquidate obligated balances and unobligated balances as they become obligated, and thus are necessarily included in the Status of fund balance with Treasury. Only the investment and contract authority balances that support the obligated and unobligated balances are presented in this note. Whereas, the investment balances presented in Note 3 also include amounts invested from receipts that are unavailable for obligation upon collection, and therefore do not support the obligated and unobligated balances.

As of September 30, 2023 and 2022, the unused funds in expired appropriations that were returned to Treasury at the end of the fiscal year were $25.0 million and $25 thousand, respectively. These balances are excluded from amounts reported as fund balance with Treasury.

Note 3. Investments, Net

As of September 30, 2023 and 2022, the FAA's investment balances were as follows:

(Dollars in Thousands)

	2023				
Intragovernmental securities	**Cost**	**Unamortized Premium/ (Amortized Discount)**	**Interest Receivable**	**Investments (Net)**	**Market/ Fair Value**
Nonmarketable par value	$ 16,600,788	$ -	$ 93,396	$ 16,694,184	$ 16,600,788
Nonmarketable market-based	2,456,438	(31,378)	16,632	2,441,692	2,410,588
Total intragovernmental securities	$ 19,057,226	$ (31,378)	$ 110,028	$ 19,135,876	$ 19,011,376

(Dollars in Thousands)

	2022				
Intragovernmental securities	**Cost**	**Unamortized Premium/ (Amortized Discount)**	**Interest Receivable**	**Investments (Net)**	**Market/ Fair Value**
Nonmarketable par value	$ 10,818,211	$ -	$ 30,694	$ 10,848,905	$ 10,818,211
Nonmarketable market-based	2,366,184	(13,813)	10,468	2,362,839	2,323,933
Total intragovernmental securities	$ 13,184,395	$ (13,813)	$ 41,162	$ 13,211,744	$ 13,142,144

The Secretary of the Treasury invests AATF funds on behalf of the FAA. The FAA investments are considered investment authority and are available to offset the cost of operations to the extent authorized by the U.S. Congress. As of September 30, 2023 and 2022, $16.6 billion and $10.8 billion were invested respectively in U.S. Treasury Certificates of Indebtedness. Nonmarketable par value Treasury securities are special series debt securities that the U.S. Treasury issues to federal entities at face value (par value). The securities are redeemed at face value on demand; thus investing entities recover the full amounts invested plus interest. Investments as of September 30, 2023, mature on June 30, 2024, and investments as of September 30, 2022, matured on June 30, 2023. The annual rate of return on Certificates of Indebtedness is established in the month of issuance. The average rate of return for certificates issued during FY 2023 and FY 2022 was 2.67 percent and 1.63 percent, respectively.

Nonmarketable, market-based Treasury securities are debt securities that the Treasury issues to federal entities without statutorily fixed interest rates. Although the securities are not marketable, their terms (prices and interest rates) mirror the terms of marketable Treasury securities. The FAA invests Aviation Insurance Fund collections in nonmarketable market-based securities and amortizes premiums and discounts over the life of the security using the interest method. As of September 30, 2023, these nonmarketable, market-based securities have maturity dates ranging from November 30, 2023 to November 15, 2024 and have an average rate of return of approximately 2.20 percent. As of September 30, 2022, these nonmarketable, market-based securities had maturity dates ranging from October 15, 2022 to May 15, 2024 and had an average rate of return of approximately 1.48 percent.

The U.S. Treasury does not set aside assets to pay the future expenditures of the AATF and the Aviation Insurance Fund (i.e., dedicated collections). Instead, the cash collected from the public for the AATF and the Aviation Insurance Fund is deposited in the U.S. Treasury, and used for general government purposes. Treasury securities are issued to the FAA as evidence of the collections by the AATF and the Aviation Insurance Fund. Treasury securities are an asset to the FAA and a liability to the U.S. Treasury. Because the FAA and the U.S. Treasury are both parts of the federal government, these assets and liabilities offset each other from the standpoint of the federal government as a whole. For this reason, they do not represent an asset or a liability in the government-wide financial statements.

To the extent authorized by law, the FAA has the ability to redeem its Treasury securities to make expenditures. When the FAA redeems these securities, the federal government finances those expenditures from accumulated cash balances by raising tax or other receipts, borrowing from the public, repaying less debt, or curtailing other expenditures. This is the same manner in which the federal government finances all other expenditures.

The FAA does not have any investment in non-federal securities.

Note 4. Accounts Receivable, Net

Accounts receivable is shown net of an allowance for uncollectible accounts, which is based on historical collection experience or an analysis of the individual receivables. As of September 30, 2023 and 2022, accounts receivable were:

(Dollars in Thousands)	2023	2022
Intragovernmental		
Accounts receivable, gross	$ 13,460	$ 26,184
Allowance for uncollectible amounts	(335)	(1,254)
Total intragovernmental	13,125	24,930
Other than intragovernmental		
Accounts receivable, gross	65,406	60,440
Allowance for uncollectible amounts	(15,671)	(14,523)
Total other than intragovernmental	49,735	45,917
Total accounts receivable, net	$ 62,860	$ 70,847

Note 5. Inventory and Related Property, Net

Inventory is classified as either held for sale, held for repair, or raw materials and work in progress. Collectively, the FAA's inventory is used to support our nation's airspace system and is predominantly located at the Mike Monroney Aeronautical Center in Oklahoma City, Oklahoma. Inventory that is deemed to be excess, obsolete, and unserviceable is expected to have no net realizable value, and a loss is recognized for the carrying amount. The carrying amount before identification as excess, obsolete, and unserviceable inventory was $20.8 million in fiscal year 2023 and $5.0 million in fiscal year 2022.

Operating materials and supplies primarily consists of materials and supplies that will be used in the repair and maintenance of FAA-owned aircraft. As of September 30, 2023 and 2022, inventory and related property balances were:

(Dollars in Thousands)	2023		
Inventory	**Cost**	**Allowance**	**Net**
Held for sale	$ 280,941	$ -	$ 280,941
Held for repair	443,426	-	443,426
Raw materials and work in progress	36,924	-	36,924
Inventory total	761,291	-	761,291
Operating materials and supplies			
Held for use	53,302	-	53,302
Held for repair	46,041	(23,021)	23,020
Excess, obsolete, and unserviceable	7,404	(6,189)	1,215
Operating materials and supplies total	106,747	(29,210)	77,537
Total inventory and related property	$ 868,038	$ (29,210)	$ 838,828

(Dollars in Thousands)	2022		
Inventory	**Cost**	**Allowance**	**Net**
Held for sale	$ 269,172	$ -	$ 269,172
Held for repair	449,742	-	449,742
Raw materials and work in progress	35,798	-	35,798
Inventory total	754,712	-	754,712
Operating materials and supplies			
Held for use	55,173	-	55,173
Held for repair	47,318	(23,659)	23,659
Excess, obsolete, and unserviceable	3,269	(2,054)	1,215
Operating materials and supplies total	105,760	(25,713)	80,047
Total inventory and related property	$ 860,472	$ (25,713)	$ 834,759

Note 6. General Property, Plant, and Equipment, Net

General property, plant, and equipment balances as of September 30, 2023 and 2022 were:

(Dollars in Thousands)	2023		
Class of fixed asset	**Acquisition value**	**Accumulated depreciation**	**Net book value**
Real property, including land	$ 7,272,552	$ (4,412,027)	$ 2,860,525
Personal property	18,802,188	(14,686,935)	4,115,253
Internal use software	4,496,951	(3,245,055)	1,251,896
Internal use software in development	1,190,514	-	1,190,514
Assets under capital lease (Note 11)	90,111	(57,861)	32,250
Construction in progress	2,353,108	-	2,353,108
Total property, plant, and equipment	$ 34,205,424	$ (22,401,878)	$ 11,803,546

(Dollars in Thousands)	2022		
Class of fixed asset	**Acquisition value**	**Accumulated depreciation**	**Net book value**
Real property, including land	$ 7,095,298	$ (4,230,243)	$ 2,865,055
Personal property	18,586,415	(14,393,563)	4,192,852
Internal use software	3,935,885	(2,977,076)	958,809
Internal use software in development	1,469,179	-	1,469,179
Assets under capital lease (Note 11)	90,111	(54,295)	35,816
Construction in progress	2,024,240	-	2,024,240
Total property, plant, and equipment	$ 33,201,128	$ (21,655,177)	$ 11,545,951

The changes to the general property, plant, and equipment balance for the fiscal years ended September 30, 2023 and 2022 were:

(Dollars in Thousands)	2023	2022
Balance beginning of year	$ 11,545,951	$ 11,670,008
Capitalized acquisitions	1,710,756	1,507,253
Dispositions	(1,723)	(36,913)
Revaluations	(254,314)	(320,083)
Depreciation expense	(1,211,234)	(1,301,682)
Transfers-in/out without reimbursement	1,098	2,500
Donations	13,012	24,868
Balance at end of year	$ 11,803,546	$ 11,545,951

The FAA's construction in progress relates primarily to national airspace assets, which are derived from centrally funded national systems development contracts, site preparation and testing, raw materials, and internal labor charges. The accumulation of costs to be capitalized for assets in the FAA's PP&E typically flow into and remain in the construction in progress account until the asset is ready for deployment and placed in service. Once placed in service, the asset balance is transferred from the construction in progress category to its respective asset category.

Note 7. Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources require future congressional action, whereas liabilities covered by budgetary resources reflect prior congressional action. Regardless of when the congressional action occurs, when the liabilities are liquidated, Treasury will finance the liquidation in the same way that it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

Liabilities not requiring budgetary resources include custodial liabilities which are collections on behalf of other federal entities or funds, such as the General Fund of the U.S. Government. Custodial liabilities are liquidated when the collections are transferred to the owner.

The following table shows liabilities not covered by budgetary resources as of September 30, 2023 and 2022:

(Dollars in Thousands)	2023	2022
Intragovernmental		
Other liabilities (Note 10)		
Federal Employees' Compensation Act payable	$ 140,198	$ 142,720
Other unfunded employment related liabilities	23,834	25,286
Reimbursable activities	360	-
Total intragovernmental	164,392	168,006
Other than intragovernmental		
Federal employee benefits payable (Note 8)		
FECA actuarial	666,199	678,350
Unfunded leave	506,010	505,244
Other unfunded employment related liability	48,264	47,829
Environmental and disposal liabilities (Notes 9 and 12)	857,168	783,215
Other liabilities		
Capital lease liability (Notes 10 and 11)	32,470	39,044
Contingent liabilities (Notes 10 and 12)		
Legal claims	50,828	58,595
Warranty contingencies	515	515
Liability for non-fiduciary deposit funds and undeposited collections (Note 10)	318	486
Other liabilities without related budgetary obligations (Note 10)	13,078	13,078
Total other than intragovernmental	2,174,850	2,126,356
Total liabilities not covered by budgetary resources	$ 2,339,242	$ 2,294,362
Total liabilities not covered by budgetary resources	$ 2,339,242	$ 2,294,362
Total liabilities covered by budgetary resources	4,672,781	7,978,510
Total liabilities not requiring budgetary resources	24,867	21,455
Total liabilities	$ 7,036,890	$ 10,294,327

Note 8. Federal Employee Benefits Payable

Federal employee benefits payable as of September 30, 2023 and 2022 were:

(Dollars in Thousands)	2023	2022
Other than intragovernmental		
Actuarial FECA liability	$ 666,199	$ 678,350
Unfunded leave		
Annual leave	485,633	485,377
Compensatory leave and credit hours	20,377	19,867
Unfunded leave total	506,010	505,244
Other unfunded employment related liability		
Sick leave buyback option for eligible employees	48,264	47,829
Employer contributions payable		
Thrift Savings Plan	16,330	15,268
Total federal employee benefits payable	$ 1,236,803	$ 1,246,691

The actuarial FECA liability is the estimated liability for future benefit payments and includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases, plus a component for incurred but unreported claims.

The estimated liability for accrued unfunded leave includes annual and other types of vested leave such as compensatory leave and credit hours.

Under the terms of various bargaining unit agreements, employees who are in FERS have the option to receive a lump sum payment for 40 percent of their accumulated sick leave as of their effective retirement date.

The Thrift Savings Plan is a tax-deferred retirement savings and investment plan available to federal employees.

Note 9. Environmental and Disposal Liabilities

The FAA's environmental and disposal liabilities as of September 30, 2023 and 2022 were:

(Dollars in Thousands)	2023	2022
Environmental remediation	$ 336,154	$ 328,360
Environmental cleanup	521,014	454,855
Total environmental and disposal liabilities	$ 857,168	$ 783,215

Remediation is performed at contaminated sites where the FAA has liability due to past operations or waste disposal activities. To help manage the cleanup of the contaminated sites, the FAA established an Environmental Cleanup Program that includes three service areas which are responsible for oversight of the contaminated sites. The service area personnel use both actual costs and an automated, parametric cost-estimating tool that provides estimates for all phases of investigation and remediation to estimate the environmental remediation liability.

The Environmental cleanup liability is estimated using a combination of actual costs, adjusted for inflation, and project specific cost proposals for certain targeted facilities. The FAA uses the average cleanup costs of the targeted facilities as the cost basis for the other like facilities to arrive at the estimated environmental liability for cleanup.

A description of the two categories of environmental liabilities can be found in Note 1V. Information on contingencies related to environmental liabilities can be found in Note 12.

Environmental and disposal liabilities are not covered by budgetary or other resources and thus will require future appropriated funding.

Note 10. Other Liabilities

As of September 30, 2023, the FAA's other liabilities were:

(Dollars in Thousands)	2023		
	Non-current liabilities	Current liabilities	Total
Intragovernmental			
Accrued payroll & benefits payable to other agencies	$ -	$ 142,174	$ 142,174
Liabilities covered by budgetary resources	-	142,174	142,174
Federal Employees' Compensation Act payable	76,914	63,284	140,198
Other unfunded employment related liabilities	-	23,834	23,834
Reimbursable activities	288	72	360
Liabilities not covered by budgetary resources	77,202	87,190	164,392
Custodial liabilities	-	24,867	24,867
Liabilities not requiring budgetary resources	-	24,867	24,867
Intragovernmental total	77,202	254,231	331,433
Other than intragovernmental			
Accrued funded payroll and leave	-	390,486	390,486
Liabilities covered by budgetary resources	-	390,486	390,486
Capital lease liability (Notes 7 and 11)	24,579	7,891	32,470
Contingent liabilities			
Legal claims	-	50,828	50,828
Warranty contingencies	-	515	515
Liability for non-fiduciary deposit funds and undeposited collections	-	318	318
Other liabilities without related budgetary obligations	-	13,078	13,078
Liabilities not covered by budgetary resources	24,579	72,630	97,209
Other than intragovernmental total	24,579	463,116	487,695
Total other liabilities	$ 101,781	$ 717,347	$ 819,128

As of September 30, 2022, the FAA's other liabilities were:

(Dollars in Thousands)	2022		
	Non-current liabilities	Current liabilities	Total
Intragovernmental			
Accrued payroll & benefits payable to other agencies	$ -	$ 132,939	$ 132,939
Liabilities covered by budgetary resources	-	132,939	132,939
Federal Employees' Compensation Act payable	77,999	64,721	142,720
Other unfunded employment related liabilities	-	25,286	25,286
Reimbursable activities	-	-	-
Liabilities not covered by budgetary resources	77,999	90,007	168,006
Custodial liabilities	-	21,455	21,455
Liabilities not requiring budgetary resources	-	21,455	21,455
Intragovernmental total	77,999	244,401	322,400
Other than intragovernmental			
Accrued funded payroll and leave	-	366,771	366,771
Liabilities covered by budgetary resources	-	366,771	366,771
Capital lease liability (Notes 7 and 11)	31,006	8,038	39,044
Contingent liabilities			
Legal claims	-	58,595	58,595
Warranty contingencies	-	515	515
Liability for non-fiduciary deposit funds and undeposited collections	-	486	486
Other liabilities without related budgetary obligations	-	13,078	13,078
Liabilities not covered by budgetary resources	31,006	80,712	111,718
Other than intragovernmental total	31,006	447,483	478,489
Total other liabilities	$ 109,005	$ 691,884	$ 800,889

Accrued payroll and benefits payable to other agencies consists of FAA contributions payable to other federal agencies for employee benefits. These include FAA contributions payable toward life insurance, health insurance, retirement benefits, and Social Security. These benefits also include FAA contributions payable for the Federal Insurance Contributions Act taxes, which are composed of the old-age, survivors, and disability insurance taxes, also known as Social Security taxes, and the hospital insurance tax, also known as Medicare tax.

An unfunded liability is recorded for the actual cost of workers' compensation benefits to be reimbursed to the DOL, pursuant to the FECA. Reimbursement to the DOL occurs approximately two years subsequent to the actual disbursement. Budgetary resources for this intragovernmental liability are made available to the FAA as part of its annual appropriation from the U.S. Congress in the year in which the reimbursement takes place. The FAA's accrued liability as of September 30, 2023, includes workers' compensation benefits paid by DOL during the periods July 1, 2021 through June 30, 2023, and accrued liabilities for the quarter July 1, 2023 through September 30, 2023. The FAA's accrued liability as of September 30, 2022, included workers' compensation benefits paid by the DOL during the period July 1, 2020 through June 30, 2022, and accrued liabilities for the quarter July 1, 2022 through September 30, 2022.

The FAA estimated that 100 percent of its $50.8 million and $58.6 million legal claims liabilities as of September 30, 2023 and 2022, respectively, would be paid from the permanent appropriation for judgments, awards, and compromise settlements (Judgment Fund) administered by the Department of Treasury.

Total liabilities not covered by budgetary resources are presented in Note 7.

Note 11. Leases

ENTITY AS LESSEE

The FAA is the lessee for both capital and operating leases.

CAPITAL LEASES

Following is a summary of the FAA's assets under capital lease as of September 30, 2023 and 2022:

(Dollars in Thousands)	2023	2022
Non-Federal		
Land, buildings, and machinery	$ 90,111	$ 90,111
Accumulated depreciation	(57,861)	(54,295)
Non-Federal assets under capital lease, net	32,250	35,816
Total assets under capital lease, net	$ 32,250	$ 35,816

As of September 30, 2023, the FAA's future payments due on assets under capital lease were:

(Dollars in Thousands)	
Future payments due by fiscal year	
(Liabilities not covered by budgetary or other resources)	
Year 1 (FY 2024)	$ 7,891
Year 2 (FY 2025)	7,238
Year 3 (FY 2026)	6,701
Year 4 (FY 2027)	3,714
Year 5 (FY 2028)	3,595
After 5 Years	7,584
Total future payments	36,723
Less: Imputed interest	(4,253)
Net capital lease liability	$ 32,470

As of September 30, 2023, all future payments due on assets under capital lease were non-federal.

The FAA's capital lease payments are authorized to be funded annually as codified in the 49 U.S.C. 40110(c)(1) which addresses general procurement authority. The remaining principal payments are recorded as unfunded lease liabilities. The imputed interest is funded and expensed annually. The lease terms for capital leases expire at various dates through FY 2039.

OPERATING LEASES

The FAA has operating leases for real property, aircraft, and telecommunications equipment. Future operating lease payments due as of September 30, 2023, were:

(Dollars in Thousands)	Federal	Non-Federal	Total
Fiscal year			
Year 1 (FY 2024)	$ 105,425	$ 67,402	$ 172,827
Year 2 (FY 2025)	95,283	41,705	136,988
Year 3 (FY 2026)	88,207	35,694	123,901
Year 4 (FY 2027)	85,238	31,882	117,120
Year 5 (FY 2028)	40,539	25,164	65,703
After 5 Years	258,388	75,610	333,998
Total future operating lease payments	$ 673,080	$ 277,457	$ 950,537

Operating lease expense incurred during the year ended September 30, 2023 was $206.8 million, of which $125.7 million was federal and $81.1 million was non-federal. Operating lease expense incurred during the year ended September 30, 2022 was $200.3 million, of which $120.4 million was federal and $79.9 million was non-federal.

Federal operating leases include General Services Administration leases that have a short termination privilege; however, the FAA intends to remain in the lease. In addition, General Service Administration operating leases are inclusive of other costs such as utilities, taxes, and janitorial services.

The operating lease amounts due after five years do not include estimated payments for leases with annual renewal options. The lease terms for operating leases expire at various dates through FY 2043. Estimates of the lease termination dates are subjective, and any projection of future lease payments would be arbitrary.

Note 12. Commitments, Contingencies, and Other Disclosures

Continuing Resolution and Reauthorization. Effective October 1, 2023, the FAA is operating under a continuing resolution, Public Law 118-15, for its FY 2024 appropriation and many of its programmatic and financing authorities. The continuing resolution will be in effect through November 17, 2023, unless superseded by enactment of specified appropriations legislation and includes a provision that allows the FAA to continue spending at FY 2023 rates.

In addition, the passage of the Continuing Appropriations Act, 2024 and Other Extensions Act, Public Law 118-15, authorizes the FAA's programmatic and financing authorities, the Airport Improvement Program contract authority, and the authority to collect and deposit excise taxes into and make expenditures from the AATF. The new authority expires on December 31, 2023.

Airport Improvement Program. The Airport Improvement Program provides grants for the planning and development of public-use airports that are included in the National Plan of Integrated Airport Systems. Eligible projects generally include improvements that address airport safety, capacity, security, and environmental concerns. The FAA's share of eligible costs for large and medium primary hub airports is 75 percent, with the exception of noise program implementation, for which the FAA's share is 80 percent. For remaining airports (small primary, reliever, and general aviation), the FAA's share of eligible costs is 90 percent. However, the CARES Act provided funding for the FAA to pay a federal share of the costs for grants awarded under Public Law 116-94, Further Consolidated Appropriations Act, 2020, to 100 percent. Similarly, the American Rescue Plan Act of 2021 provided funding for the FAA to pay a federal share of 100 percent of the costs for any grant awarded in fiscal years 2021 or 2020, for an airport development project.

The FAA has authority under 49 U.S.C. 47110(e) to issue letters of intent to enter into a series of annual Airport Improvement Program grant agreements. The FAA records an obligation when a grant is awarded. As of September 30, 2023, the FAA had open letters of intent extending through FY 2031 with $280 million unobligated. As of September 30, 2022, the FAA had open letters of intent extending through FY 2031 with $256 million unobligated.

Aviation Insurance Program. The FAA provides non-premium war risk insurance for certain U.S. Government contracted operations as permitted by 49 U.S.C. 44305. Coverage is provided without premium to air carriers at the written request of other U.S. Government agencies. The scope of coverage under the Non-Premium War Risk Insurance program includes hull, bodily injury, personal injury, and property damage. The FAA is currently providing coverage for certain U.S. Department of Defense (DOD) contracted air carrier operations.

Because insurance policies are issued only at the request of other federal departments and agencies, total coverage-in-force fluctuates throughout the fiscal year. The coverage-in-force at any given point in time does not represent a potential liability against the Aviation Insurance Revolving Fund because the Secretary of Defense has entered into an indemnity agreement with the Secretary of Transportation and will fully reimburse the Fund for all losses paid by the FAA on behalf of DOD.

In addition, the FAA is permitted by 49 U.S.C 44302a to provide temporary insurance for air carriers for certain terminated coverage, not to exceed 90 days. The temporary policy may cover hull, comprehensive, and third party liability risks. The premium for coverage is calculated based on a prorated amount equivalent to the premium that was in effect under the terminated insurance carrier policy. However, no temporary policies were issued as of the reporting date.

Contingencies. The FAA has the following contingencies as of September 30, 2023 and 2022:

- **Legal Contingencies.** The FAA's legal contingencies include asserted and pending legal claims. An accrued liability is recognized for legal claims where the loss is probable and the amount can be reasonably estimated. For pending legal claims where the loss is reasonably possible, a liability is not recognized; however, the estimated range of loss is disclosed in the table below. There are other claims that could result in significant pay-outs; however, it is not possible at this time to determine the probability of an unfavorable outcome, or to estimate the amount of potential loss in the event of such an outcome.
- **Environmental Contingencies.** The FAA's environmental contingencies include environmental remediation and environmental cleanup. The nature of these contingencies is described in Note 1V. An accrued liability is recognized for environmental contingencies where the loss is probable and the amount can be

reasonably estimated. For environmental contingencies where the loss is reasonably possible, a liability is not recognized; however, the estimated range of loss is disclosed in the table below. The FAA is a party to environmental remediation sites in Alaska, the Pacific Islands, and New Jersey, in which the extent of liability is not both probable and reasonably estimable. As a result, a liability is not recognized for these sites without further studies and negotiations with other federal agencies.

- **Warranty Contingencies.** The FAA's logistics center issues parts to customers with a 90-day warranty, that are replaced free of charge if warranty conditions are met. An accrued liability is recognized for warranty contingencies where the loss is probable and the amount can be reasonably estimated. The loss contingency is estimated based on historical averages of parts that failed and the warranty claims were approved. A loss contingency is not estimated for warranty claims that are reasonably possible of loss.

The following table shows the loss contingencies as of September 30, 2023 and 2022:

(Dollars in Thousands)	2023			2022		
	Accrued liabilities	Estimated range of loss		Accrued liabilities	Estimated range of loss	
		Lower end	Upper end		Lower end	Upper end
Legal contingencies:						
Probable	$ 50,828	$ 50,828	$ 50,828	$ 58,595	$ 58,595	$ 58,595
Reasonably possible	N/A	$ 135,978	$ 135,978	N/A	$ 74,872	$ 74,872
Environmental contingencies:						
Probable	$ 857,168	$ 857,168	$ 857,168	$ 783,215	$ 783,215	$ 783,215
Reasonably possible	N/A	$ 135,295	$ 135,295	N/A	$ 126,863	$ 126,863
Warranty contingencies:						
Probable	$ 515	$ 515	$ 515	$ 515	$ 515	$ 515
Reasonably possible	N/A	$ -	$ -	N/A	$ -	$ -

Note 13. Funds from Dedicated Collections

Funds from dedicated collections are those that are financed by specifically identified revenues and financing sources that remain available over time. They are required by statute to be used for designated activities, benefits, or purposes and must be accounted for separately from the government's general revenues.

The FAA's funds from dedicated collections are reported in the Consolidated Statements of Changes in Net Position and on pages 118–119 among two classifications. The first classification is comprised of the financial statement balances in the AATF as of the end of each fiscal year. The second classification of "All other funds from dedicated collections" is comprised of the financial statement balances of all the related funds that receive funding from the AATF and includes the Operations-AATF, Grants-in-Aid for Airports-AATF, Facilities and Equipment-AATF, and Research, Engineering and Development-AATF funds. The "All other funds from dedicated collections" classification also includes the Operations-General Fund, which is funded primarily through transfers from Operations-AATF but is additionally supplemented by the General Fund of the U.S. Government through annual appropriations. However, since the Operations-General Fund account is funded primarily from the AATF, it is properly presented as a "fund from dedicated collections." The category of "All other funds from dedicated collections" also includes the Aviation Insurance Revolving Fund and aviation user fees.

Grants-in-Aid for Airports-AATF is funded primarily through transfers from the AATF, but also received funding in FY 2020 from the General Fund of the U.S. Government as a result of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Public Law 116-136. Because the funding from general fund appropriations is expected to be temporary and the predominant source of funding historically comes from the AATF, Grants-in-Aid for Airports-AATF is presented as funds from dedicated collections.

This note presents only the funds from dedicated collections that are financing sources available for future expenses and funds that have been expended but have not yet fully achieved their designated purpose, such as construction in progress. As such, PP&E that has been placed in service, though funded from Facilities and Equipment-AATF, are excluded from this note; these funds are no longer available for future expenditure and have been used for their intended purpose.

This note is presented on both a combined and consolidated basis. The combined presentation does not eliminate intra-entity balances or transactions between funds from dedicated collections held by the entity. Similarly, the combined presentation does not eliminate intra-entity balances or transactions with funds from other than dedicated collections, such as the FAA's Franchise Fund. The consolidated presentation eliminates intra-entity balances or transactions between the FAA's funds from dedication collections.

AIRPORT AND AIRWAY TRUST FUND

The FAA's consolidated financial statements include the results of operations and the financial position of the AATF. The U.S. Congress created the AATF with the passage of the Airport and Airway Revenue Act of 1970.

The Airport and Airway Revenue Act provides a dedicated source of funding for the nation's aviation system through the collection of several aviation-related excise taxes. The IRS collects these taxes on behalf of the FAA's AATF. These taxes can be withdrawn only as appropriated by the U.S. Congress. Twice a month, Treasury allocates the amount collected and subsequently adjusts the allocation to reflect actual collections on a quarterly basis.

As discussed in Note 1E, FY 2023 excise tax revenue includes amounts certified as actual by the IRS for the first three quarters of the year and amounts allocated by the Office of Tax Analysis for the fourth quarter of the year.

ALL OTHER FUNDS FROM DEDICATED COLLECTIONS

- The Aviation Insurance Program had investments of $2.4 billion and revenues of $78.6 million for the period ended September 30, 2023 compared to $2.4 billion and $23.0 million, respectively, for the period ended September 30, 2022. The Aviation Insurance Program is also discussed in Notes 1H and 12.
- Aviation user fees are charged to commercial airlines that fly in U.S. controlled air space but neither take off nor land in the U.S. The FAA reported aviation user fees of $138.8 million and $105.9 million for the periods ended September 30, 2023 and 2022, respectively.

The FAA's funds from dedicated collections as of and for the year ended September 30, 2023, consist of the following:

(Dollars in Thousands)	2023				
Balance Sheet	**AATF**	**All other funds from dedicated collections**	**Total funds from dedicated collections (combined)**	**Eliminations between funds from dedicated collections**	**Total funds from dedicated collections (consolidated)**
Assets					
Intragovernmental					
Fund balance with Treasury	$ 789,749	$ 3,135,520	$ 3,925,269	$ -	$ 3,925,269
Investments, net	16,694,184	2,441,692	19,135,876	-	19,135,876
Accounts receivable, net	-	6,329,209	6,329,209	(6,314,529)	14,680
Advances and prepayments	-	245,018	245,018	-	245,018
Total intragovernmental	17,483,933	12,151,439	29,635,372	(6,314,529)	23,320,843
Other than intragovernmental					
Accounts receivable, net	-	24,248	24,248	-	24,248
General property, plant, and equipment, net	-	3,385,743	3,385,743	-	3,385,743
Advances and prepayments	-	1,881	1,881	-	1,881
Total other than intragovernmental	-	3,411,872	3,411,872	-	3,411,872
Total assets	$ 17,483,933	$ 15,563,311	$ 33,047,244	$ (6,314,529)	$ 26,732,715
Liabilities					
Intragovernmental					
Accounts payable	$ 6,314,529	$ 11,931	$ 6,326,460	$ (6,314,529)	$ 11,931
Advances from others and deferred revenue	-	36,545	36,545	-	36,545
Other liabilities	-	301,987	301,987	-	301,987
Total intragovernmental liabilities	6,314,529	350,463	6,664,992	(6,314,529)	350,463
Other than intragovernmental					
Accounts payable	-	442,854	442,854	-	442,854
Federal employee benefits payable	-	1,233,252	1,233,252	-	1,233,252
Advances from others and deferred revenue	-	146,494	146,494	-	146,494
Other liabilities					
Accrued grant liabilities	-	1,602,052	1,602,052	-	1,602,052
Other	-	395,170	395,170	-	395,170
Total other than intragovernmental	-	3,819,822	3,819,822	-	3,819,822
Total liabilities	$ 6,314,529	$ 4,170,285	$ 10,484,814	$ (6,314,529)	$ 4,170,285
Net position					
Unexpended appropriations	$ -	$ 1,163,150	$ 1,163,150	$ -	$ 1,163,150
Cumulative results of operations	11,169,404	10,229,876	21,399,280	-	21,399,280
Total liabilities and net position	$ 17,483,933	$ 15,563,311	$ 33,047,244	$ (6,314,529)	$ 26,732,715
Statement of net cost					
Gross program costs	$ -	$ 18,149,815	$ 18,149,815	$ -	$ 18,149,815
Less earned revenues	(4)	(471,294)	(471,298)	-	(471,298)
Net cost of operations	$ (4)	$ 17,678,521	$ 17,678,517	$ -	$ 17,678,517
Statement of changes in net position					
Unexpended appropriations					
Beginning balances	$ -	$ 1,255,980	$ 1,255,980	$ -	$ 1,255,980
Appropriations received	-	1,921,179	1,921,179	-	1,921,179
Appropriations transferred-in/out	-	1,080	1,080	-	1,080
Other adjustments	-	(25,023)	(25,023)	-	(25,023)
Appropriations used	-	(1,990,066)	(1,990,066)	-	(1,990,066)
Net change in unexpended appropriations	-	(92,830)	(92,830)	-	(92,830)
Total unexpended appropriations – ending	$ -	$ 1,163,150	$ 1,163,150	$ -	$ 1,163,150
Cumulative results of operations					
Beginning balances	$ 5,425,218	$ 10,413,774	$ 15,838,992	$ -	$ 15,838,992
Appropriations used	-	1,990,066	1,990,066	-	1,990,066
Intragovernmental non-exchange revenue	22,596,583	-	22,596,583	-	22,596,583
Other than intragovernmental non-exchange revenue	-	4,384	4,384	-	4,384
Transfers-in/out without reimbursement	(16,852,401)	14,770,266	(2,082,135)	-	(2,082,135)
Imputed financing	-	729,908	729,908	-	729,908
Other	-	(1)	(1)	-	(1)
Net cost of operations	(4)	17,678,521	17,678,517	-	17,678,517
Net change in cumulative results of operations	5,744,186	(183,898)	5,560,288	-	5,560,288
Cumulative results of operations – ending	$ 11,169,404	$ 10,229,876	$ 21,399,280	$ -	$ 21,399,280
Net position end of period	$ 11,169,404	$ 11,393,026	$ 22,562,430	$ -	$ 22,562,430

The FAA's funds from dedicated collections as of and for the year ended September 30, 2022, consist of the following:

(Dollars in Thousands)	2022				
Balance Sheet	**AATF**	**All other funds from dedicated collections**	**Total funds from dedicated collections (combined)**	**Eliminations between funds from dedicated collections**	**Total funds from dedicated collections (consolidated)**
Assets					
Intragovernmental					
Fund balance with Treasury	$ 766,693	$ 3,870,539	$ 4,637,232	$ -	$ 4,637,232
Investments, net	10,848,905	2,362,839	13,211,744	-	13,211,744
Accounts receivable, net	-	6,217,029	6,217,029	(6,191,880)	25,149
Advances and prepayments	-	236,736	236,736	-	236,736
Total intragovernmental	11,615,598	12,687,143	24,302,741	(6,191,880)	18,110,861
Other than intragovernmental					
Accounts receivable, net	-	23,931	23,931	-	23,931
General property, plant, and equipment, net	-	3,407,080	3,407,080	-	3,407,080
Advances and prepayments	-	1,940	1,940	-	1,940
Total other than intragovernmental	-	3,432,951	3,432,951	-	3,432,951
Total assets	$ 11,615,598	$ 16,120,094	$ 27,735,692	$ (6,191,880)	$ 21,543,812
Liabilities					
Intragovernmental					
Accounts payable	$ 6,190,380	$ 13,528	$ 6,203,908	$ (6,191,880)	$ 12,028
Advances from others and deferred revenue	-	26,465	26,465	-	26,465
Other liabilities	-	296,896	296,896	-	296,896
Total intragovernmental liabilities	6,190,380	336,889	6,527,269	(6,191,880)	335,389
Other than intragovernmental					
Accounts payable	-	413,957	413,957	-	413,957
Federal employee benefits payable	-	1,244,278	1,244,278	-	1,244,278
Advances from others and deferred revenue	-	130,517	130,517	-	130,517
Other liabilities					
Accrued grant liabilities	-	1,943,932	1,943,932	-	1,943,932
Other	-	380,767	380,767	-	380,767
Total other than intragovernmental	-	4,113,451	4,113,451	-	4,113,451
Total liabilities	$ 6,190,380	$ 4,450,340	$ 10,640,720	$ (6,191,880)	$ 4,448,840
Net position					
Unexpended appropriations	$ -	$ 1,255,980	$ 1,255,980	$ -	$ 1,255,980
Cumulative results of operations	5,425,218	10,413,774	15,838,992	-	15,838,992
Total liabilities and net position	$ 11,615,598	$ 16,120,094	$ 27,735,692	$ (6,191,880)	$ 21,543,812
Statement of net cost					
Gross program costs	$ -	$ 16,938,113	$ 16,938,113	$ -	$ 16,938,113
Less earned revenues	-	(365,171)	(365,171)	-	(365,171)
Net cost of operations	$ -	$ 16,572,942	$ 16,572,942	$ -	$ 16,572,942
Statement of changes in net position					
Unexpended appropriations					
Beginning balances	$ -	$ 716,250	$ 716,250	$ -	$ 716,250
Appropriations received	-	5,000,000	5,000,000	-	5,000,000
Appropriations transferred-in/out	-	-	-	-	-
Other adjustments	-	(24)	(24)	-	(24)
Appropriations used	-	(4,460,246)	(4,460,246)	-	(4,460,246)
Net change in unexpended appropriations	-	539,730	539,730	-	539,730
Total unexpended appropriations – ending	$ -	$ 1,255,980	$ 1,255,980	$ -	$ 1,255,980
Cumulative results of operations					
Beginning balances	$ 7,114,547	$ 10,530,763	$ 17,645,310	$ -	$ 17,645,310
Appropriations used	-	4,460,246	4,460,246	-	4,460,246
Intragovernmental non-exchange revenue	11,533,025	-	11,533,025	-	11,533,025
Other than intragovernmental non-exchange revenue	-	4,723	4,723	-	4,723
Transfers-in/out without reimbursement	(13,222,354)	11,583,107	(1,639,247)	-	(1,639,247)
Imputed financing	-	407,877	407,877	-	407,877
Other	-	-	-	-	-
Net cost of operations	-	16,572,942	16,572,942	-	16,572,942
Net change in cumulative results of operations	(1,689,329)	(116,989)	(1,806,318)	-	(1,806,318)
Cumulative results of operations – ending	$ 5,425,218	$ 10,413,774	$ 15,838,992	$ -	$ 15,838,992
Net position end of period	$ 5,425,218	$ 11,669,754	$ 17,094,972	$ -	$ 17,094,972

Note Disclosures Related to the Statement of Net Cost

Note 14. Net Cost by Program and Strategic Goal

The FAA's five lines of business represent the programs reported in the Consolidated Statements of Net Cost. Cost centers assigned to each line of business permit the direct accumulation of costs. Other costs that are not directly traced to a specific line of business, such as agency overhead, are allocated. The net cost for non-line of business programs includes services provided by the Mike Monroney Aeronautical Center, aviation overflight user fees, and other programs.

The following is the net cost of operations by strategic goal for the years ended September 30, 2023 and 2022:

(Dollars in Thousands)

	For the Year Ended September 30, 2023				
	Strategic Goals				
	Safety	People	Global Leadership	Operational Excellence	Total
Line of business programs					
Air Traffic Organization	$11,339,790	$ 109,361	$ 5,600	$ 2,251,475	$13,706,226
Airports	1,108,275	189,859	23	3,735,163	5,033,320
Aviation Safety	1,905,535	22,440	36,567	7,824	1,972,366
Security and Hazardous Materials Safety	73,136	904	1,414	13,367	88,821
Commercial Space Transportation	39,460	3,442	349	4,248	47,499
Non-line of business programs	(139,498)	24,942	6,890	177,269	69,603
Net cost	$14,326,698	$ 350,948	$ 50,843	$ 6,189,346	$20,917,835

(Dollars in Thousands)

	For the Year Ended September 30, 2022				
	Strategic Goals				
	Safety	People	Global Leadership	Operational Excellence	Total
Line of business programs					
Air Traffic Organization	$10,867,178	$ 96,623	$ 2,671	$ 1,994,342	$12,960,814
Airports	1,366,138	1,559	2	6,489,152	7,856,851
Aviation Safety	1,751,930	20,113	33,329	5,332	1,810,704
Security and Hazardous Materials Safety	114,329	938	1,221	13,429	129,917
Commercial Space Transportation	31,425	2,869	285	4,826	39,405
Non-line of business programs	(114,386)	21,397	8,947	154,047	70,005
Net cost	$14,016,614	$ 143,499	$ 46,455	$ 8,661,128	$22,867,696

Note 15. Inter-Entity Costs

The FAA receives certain goods and services from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, only certain costs of the providing entity that are not fully reimbursed by the FAA are recognized as imputed costs (in the Statement of Net Cost) and are offset by imputed financing sources (in the Statement of Changes in Net Position). Each of these costs is listed below. However, unreimbursed costs of goods and services other than those listed below are not included in our financial statements.

- The Office of Personnel Management (OPM) provides pension and post-retirement benefits to employees upon retirement from federal service. The imputed cost recognized by the FAA is based on the annual Benefits Administration Letter issued by the OPM, which provides actuarial cost factors for accrued pension and post-retirement benefit expenses for current employees. The amount recognized represents the difference between employer and employee contributions and the total cost of the benefit.
- The U.S. Treasury's Judgment Fund provides payments for settlements of lawsuits or court assessments against the FAA.
- The Department of Homeland Security's Continuous Diagnostic and Mitigation program provides hardware, software, and services in support of the government-wide focus on heightened cyber security.
- The Department of Labor provides workers' compensation and medical benefit payments to federal employees for COVID-19 claims under ARPA.

For the fiscal years ended September 30, 2023 and 2022, imputed costs were as follows:

(Dollars in Thousands)	2023	2022
Office of Personnel Management	$ 723,358	$ 411,007
Treasury Judgment Fund	23,651	7,766
Department of Homeland Security	-	32
Department of Labor	867	305
Total imputed costs	$ 747,876	$ 419,110

Note Disclosures Related to the Statement of Budgetary Resources

Note 16. Statement of Budgetary Resources Disclosures

BUDGETARY TERMS

The purpose of federal budgetary accounting is to control, monitor, and report on funds made available to federal agencies by law and help ensure compliance with the law.

The following budget terms are commonly used:

- **Appropriations** are a provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority.
- **Budgetary resources** are amounts available to incur obligations in a given year. Budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years.
- **Offsetting collections** are payments to the government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, offsetting collections are authorized to be spent for the purposes of the account without further action by Congress. They usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the government and from intragovernmental transactions with other government accounts. The authority to spend offsetting collections is a form of budget authority.
- **Offsetting receipts** are payments to the government that are credited to offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. Usually they are deducted at the level of the agency and sub function, but in some cases they are deducted at the level of the government as a whole. They are not authorized to be credited to expenditure accounts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditure for that purpose or require them to be appropriated in annual appropriations acts before they can be spent. Like offsetting collections, they usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the government, and from intragovernmental transactions with other government accounts.
- **Obligations** are binding agreements that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.
- **Outlays** are payments to liquidate an obligation (other than the repayment of debt principal or other disbursements that are “means of financing” transactions). Outlays generally are equal to cash disbursements but also are recorded for cash-equivalent transactions, such as the issuance of debentures to pay insurance claims, and in a few cases are recorded on an accrual basis such as interest on public issues of the public debt. Outlays are the measure of government spending.
- **Distributed offsetting receipts** are amounts that an agency collects from the public or from other U.S. Government agencies that are used to offset or reduce an agency’s budget outlays. Agency outlays are measured on both a gross and net basis, with net outlays being reduced by offsetting receipts (and other amounts).

UNOBLIGATED BALANCE FROM PRIOR YEAR BUDGET AUTHORITY, NET

The unobligated balance from prior year budget authority is presented net of transfers, recoveries from prior year obligations, and balances withdrawn for cancelled authority. As a result, the amount will not equal the prior year unobligated balance, end of year total. As of September 30, 2023 and 2022, the unobligated balances from prior year budget authority, net of adjustments were:

(Dollars in Thousands)	2023	2022
Unobligated balance, brought forward from prior year	$ 10,774,209	$ 9,570,157
Adjustments to budgetary resources made during current year		
Transferred from other accounts	1,440	-
Adjustments to unobligated balance brought forward	(4)	(774)
Recoveries of prior year obligations	683,492	488,327
Balances withdrawn to Treasury	(25,023)	(24)
Balances withdrawn to the AATF	(46,247)	(33,134)
Unobligated balance from prior year budget authority, net	$ 11,387,867	$ 10,024,552

APPROPRIATIONS

Appropriations, as reported in the Combined Statements of Budgetary Resources, includes amounts made available to the FAA from general, revolving, and special funds, as well as funds from dedicated collections. In contrast, appropriations received, as reported in the Consolidated Statements of Changes in Net Position, pertain only to amounts made available to the FAA from general funds. The following is a reconciliation of these amounts as of September 30, 2023 and 2022:

(Dollars in Thousands)	2023	2022
Combined Statement of Budgetary Resources – appropriations	$ 20,624,528	$ 20,505,993
Appropriations transferred-in/out	2,000	2,000
Amounts made available to FAA from AATF dedicated collections	(13,138,210)	(9,555,487)
Other appropriated receipts and budgetary adjustments	(8,584)	(1,326)
Consolidated Statement of Changes in Net Position – appropriations received	$ 7,479,734	$ 10,951,180

AVAILABLE CONTRACT AUTHORITY

Contract authority, as reported on the Combined Statement of Budgetary Resources, is the amount permitted by law to enter into contracts or incur obligations. Throughout the fiscal year, the contract authority is liquidated by appropriation. As of September 30, 2023 and 2022, the remaining contract authority available was $3.8 million and $1.8 million, respectively.

EXPENDITURE TRANSFERS BETWEEN FAA ACCOUNTS

Budgetary concepts require that appropriations derived from the AATF for a general fund program be transferred through an intermediary trust fund program account. The appropriated amount is transferred, as needed to fund current period disbursements, from the AATF to a trust fund program account, then transferred from the trust fund program account to the general fund program account.

The following table shows the effect of these transfers on budgetary resources:

(Dollars in Thousands)	2023		2022	
	Trust Fund Account	General Fund Account	Trust Fund Account	General Fund Account
Appropriations	$ 9,993,821	$ -	$ 6,414,100	$ -
Spending authority from offsetting collections	-	9,993,821	-	6,414,100
Total budgetary resources	$ 9,993,821	$ 9,993,821	$ 6,414,100	$ 6,414,100
New obligations and upward adjustments				
Expenditure transfers – paid	$ 9,993,821	$ -	$ 7,434,100	$ -
Expenditure transfers – payable	-	-	(1,020,000)	-
Apportioned, unexpired accounts	-	9,993,821	-	6,414,100
Total budgetary resources	$ 9,993,821	$ 9,993,821	$ 6,414,100	$ 6,414,100
Outlays, net				
Expenditure transfers – paid	$ 9,993,821	$ -	$ 7,434,100	$ -
Expenditure transfers - collected	-	(9,993,821)	-	(7,434,100)
Agency outlays, net	$ 9,993,821	$ (9,993,821)	$ 7,434,100	$ (7,434,100)

UNDELIVERED ORDERS

As of September 30, 2023 and 2022, the amount of budgetary resources obligated for undelivered orders were:

(Dollars in Thousands)	2023			2022		
	Federal	Non-Federal	Total	Federal	Non-Federal	Total
Obligations, unpaid	$ 189,913	$ 12,813,756	$ 13,003,669	$ 199,354	$ 10,696,593	$ 10,895,947
Obligations, prepaid/advanced	366,778	2,257	369,035	249,838	2,147	251,985
Total	$ 556,691	$ 12,816,013	$ 13,372,704	$ 449,192	$ 10,698,740	$ 11,147,932

LEGAL ARRANGEMENTS AFFECTING THE USE OF UNOBLIGATED BALANCES

Unobligated balances remain legally available for obligation when the funds are apportioned by the OMB and the period of availability is unexpired. Unobligated balances are not available when the funds are not yet apportioned or the period of availability is expired. Unobligated balances of expired accounts are not available to fund new obligations, but they can be used for upward adjustments of obligations that were incurred during the period of availability or for paying claims attributable to that time period.

Aviation insurance investments are not available for obligation until authorized, for example, in the event of a major air carrier loss caused by a war risk occurrence.

STATEMENT OF BUDGETARY RESOURCES VS. THE BUDGET OF THE U.S. GOVERNMENT

The following is a reconciliation of the Combined Statement of Budgetary Resources with the Budget of the U.S. Government:

(Dollars in Millions)	For the Year Ended September 30, 2022			
	Budgetary Resources	**New Obligations and Upward Adjustments**	**Distributed Offsetting Receipts**	**Net Outlays**
FAA Combined Statement of Budgetary Resources	$ 41,050	$ 30,275	$ (10)	$ 23,071
Items included in the Combined Statement of Budgetary Resources, but excluded from the President's budget:				
Expired funds	(165)	-	-	-
Other	(1)	-	-	-
Budget of the United States Government	$ 40,884	$ 30,275	$ (10)	$ 23,071

(For consistency with the presentation of the Budget of the U.S. Government, dollars are presented in millions in this table only.)

The Budget of the U.S. Government is available on the OMB's web site. The budgetary resources, new obligations, upward adjustments, and net outlay amounts are from the "Detailed Budget Estimates by Agency" found in the Appendix of the Budget. The distributed offsetting receipts amount is from the "Federal Budget by Agency and Account" found in the Analytical Perspectives of the Budget and reconciled at the department level by the DOT. The actual amounts for FY 2022 are presented in the FY 2024 Budget. The actual amounts for FY 2023 will be presented in the FY 2025 Budget, which occurs after the issuance of these financial statements. The OMB is expected to publish this information early in calendar year 2024.

The primary difference between the Combined Statement of Budgetary Resources and the Budget of the U.S. Government is that budgetary resources available from funds with expired authority are not included in the Budget of the U.S. Government. Other differences are due to rounding.

Note Disclosures Not Pertaining to a Specific Statement

Note 17. Incidental Custodial Collections

Cash collections that are "custodial" are not revenue to the FAA but are collected on behalf of other federal entities or funds. Custodial collections are considered to be incidental to the FAA's primary mission. The following table presents custodial collections and the disposition of those collections for the years ended September 30, 2023 and 2022:

(Dollars in Thousands)	2023	2022
Custodial revenue		
Sources of cash collections:		
Fines, penalties, and forfeitures	$ 5,040	$ 4,915
Unclaimed money and property	279	2
General fund proprietary interest	31	18
Miscellaneous recoveries and refunds	10,000	7,898
Total cash collections	15,350	12,833
Accrual adjustment	3,411	2,851
Total custodial revenue	18,761	15,684
Disposition of collections		
Transferred to others (by recipient):		
Treasury (general fund)	15,350	12,833
Amounts yet to be transferred	3,411	2,851
Total disposition of collections	18,761	15,684
Net custodial activity	$ -	$ -

Note 18. Reconciliation of Net Cost to Net Outlays

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities.

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting.

The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

- The acquisition of capital assets results in outlays, but does not result in costs. Rather, the costs are recognized over the useful lives of the assets as depreciation expense. To reconcile this difference, depreciation is a component of net operating cost but not part of net outlays; and the acquisition of capital assets is a component of net outlays, but not part of net operating cost.
- Special fund receipts, such as aviation overflight user fees, are collected from specific sources that are earmarked by law for a specific purpose and require an appropriation to be expended. The exchange revenue from these receipts is included in the net cost of operations, but there is no corresponding net outlay.

Although some differences presented in the reconciliation relate to amounts reported in the balance sheet and statement of net position, amounts may not agree. Certain financial activities do not result in net operating cost, nor net outlays, and are therefore excluded from the reconciliation. For example, the purchase of investments results in a change in assets on the balance sheet but does not result in net operating cost nor net outlays.

The following is a reconciliation of net cost to net outlays as of September 30, 2023:

(Dollars in Thousands)	2023		
	Intragovernmental	Other than intragovernmental	Total
Net operating cost	$ 3,223,646	$ 17,694,189	$ 20,917,835
Components of net operating cost not part of net outlays			
Property, plant, and equipment depreciation expense	-	(1,211,234)	(1,211,234)
Property, plant, and equipment disposals and revaluations	-	(256,037)	(256,037)
Cost of goods sold	(306)	(61,754)	(62,060)
Inventory and related property disposals and revaluations	-	12,953	12,953
Increase/(decrease) in assets:			
Accounts receivable, net	(11,805)	605	(11,200)
Investments, net	12,328	-	12,328
Advances and prepayments	(6,152)	(58)	(6,210)
(Increase)/decrease in liabilities:			
Accounts payable	1,579	(51,160)	(49,581)
Federal employee benefits payable	-	9,888	9,888
Environmental and disposal liabilities	-	(73,953)	(73,953)
Advances from others and deferred revenue	7,158	(15,969)	(8,811)
Other liabilities			
Accrued grant liabilities	-	3,397,008	3,397,008
Other	(5,459)	(9,202)	(14,661)
Financing sources:			
Imputed cost	(747,876)	-	(747,876)
Total components of net operating cost not part of net outlays	(750,533)	1,741,087	990,554
Components of net outlays not part of net operating cost			
Acquisition of capital assets	63,318	1,647,438	1,710,756
Acquisition of inventory and related property	-	53,176	53,176
Financing sources:			
Transfers-in/out without reimbursement	9,968	-	9,968
Total components of net outlays not part of net operating cost	73,286	1,700,614	1,773,900
Miscellaneous items			
Special fund receipts	138,547	-	138,547
Deposit funds and miscellaneous receipts	-	(10,031)	(10,031)
Other	3,052	(7,436)	(4,384)
Total miscellaneous items	141,599	(17,467)	124,132
Net outlays	$ 2,687,998	$ 21,118,423	$ 23,806,421
Related amounts on the Statement of Budgetary Resources			
Outlays, net (total)			$ 23,824,106
Distributed offsetting receipts			(17,685)
Agency outlays, net			$ 23,806,421

The following is a reconciliation of net cost to net outlays as of September 30, 2022:

(Dollars in Thousands)	2022		
	Intragovernmental	**Other than intragovernmental**	**Total**
Net operating cost	$ 2,885,129	$ 19,982,567	$ 22,867,696
Components of net operating cost not part of net outlays			
Property, plant, and equipment depreciation expense	-	(1,301,682)	(1,301,682)
Property, plant, and equipment disposals and revaluations	(13,294)	(343,702)	(356,996)
Cost of goods sold	44	(62,075)	(62,031)
Inventory and related property disposals and revaluations	-	21,089	21,089
Increase/(decrease) in assets:			
Accounts receivable, net	12,558	12,370	24,928
Investments, net	(7,759)	-	(7,759)
Advances and prepayments	41,303	1,249	42,552
(Increase)/decrease in liabilities:			
Accounts payable	(2,282)	(16,302)	(18,584)
Federal employee benefits payable	-	81,440	81,440
Environmental and disposal liabilities	-	(31,067)	(31,067)
Advances from others and deferred revenue	(14,509)	18,856	4,347
Other liabilities			
Accrued grant liabilities	-	589,612	589,612
Other	(6,099)	(29,708)	(35,807)
Financing sources:			
Imputed cost	(419,110)	-	(419,110)
Total components of net operating cost not part of net outlays	(409,148)	(1,059,920)	(1,469,068)
Components of net outlays not part of net operating cost			
Acquisition of capital assets	51,505	1,455,748	1,507,253
Acquisition of inventory and related property	-	65,037	65,037
Financing sources:			
Transfers-in/out without reimbursement	8,964	-	8,964
Total components of net outlays not part of net operating cost	60,469	1,520,785	1,581,254
Miscellaneous items			
Special fund receipts	93,925	-	93,925
Deposit funds and miscellaneous receipts	-	(7,628)	(7,628)
Other	1,692	(6,415)	(4,723)
Total miscellaneous items	95,617	(14,043)	81,574
Net outlays	$ 2,632,067	$ 20,429,389	$ 23,061,456
Related amounts on the Statement of Budgetary Resources			
Outlays, net (total)			$ 23,071,125
Distributed offsetting receipts			(9,669)
Agency outlays, net			$ 23,061,456

Note 19. Disclosure Entities

The Center for Advanced Aviation System Development (CAASD) is a Federally Funded Research and Development Center (FFRDC) sponsored by the FAA. FFRDCs are nonprofit entities that are sponsored and funded by the U.S. Government to meet special long-term research or development needs. CAASD serves the public interest by providing essential research to advance the safety, security, effectiveness, and efficiency of aviation and transportation in the United States and around the world.

The administrator of CAASD is The MITRE Corporation (MITRE). MITRE is a not-for-profit organization that operates multiple FFRDCs including CAASD. MITRE is a "public interest company" having no commercial interests. The absence of commercial conflicts of interest is essential to maintaining independence and objectivity.

As the sponsor of CAASD, the FAA has a long-term relationship with MITRE. The nature of this relationship is for the FAA to provide sufficient physical and financial resources in support of CAASD's innovative research and development that in turn supports the accomplishment of the FAA's mission. The FAA's relationship with MITRE, for the operation of CAASD, presents no financial or non-financial risk, and there is no expectation of benefits based on this relationship, other than the results of the independent research and development. Although MITRE is the administrator of CAASD, MITRE itself is not considered to be a disclosure entity of the FAA.

For the periods ended September 30, 2023 and 2022, the FAA had new obligations of $171 million and $151 million, respectively, in support of its sponsorship agreement with MITRE for the operation of CAASD.

Note 20. COVID-19 Activity

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, Public Law 116-136, provided $10 billion in general fund appropriations for Grants-in-Aid for Airports to prevent, prepare for, and respond to the COVID-19 pandemic. In addition, of the amounts previously made available from the AATF for operations in the Bipartisan Budget Act of 2018, Public Law 115–123, up to $25 million may be repurposed to prevent, prepare for, and respond to the COVID-19 pandemic. Airport grants issued with CARES Act funds can be used for airport capital expenditures and airport operating expenses such as payroll, utilities, and debt services.

The Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA), Public Law 116-260, provided an additional $2 billion in general fund appropriations for Grants-in-Aid for Airports to prevent, prepare for, and respond to coronavirus. Airport grants issued with CRRSAA funds can be used for operational costs and debt service but not for capital expenditures.

The American Rescue Plan Act of 2021 (ARPA), Public Law 117-2, provided an additional $8 billion in general fund appropriations under Relief for Airports, a new program account, to be allocated to sponsors of airports to prevent, prepare for, and respond to coronavirus. Airport grants issued with ARPA funds can be used for operating expenses, debt service payments, the federal share of airport development projects, and airport concessions. In addition, ARPA established an emergency FAA employee leave fund and appropriated $9 million from the general fund for the use of paid leave by any FAA employee who is unable to work due to circumstances related to COVID-19.

Because Grants-in-Aid for Airports is a trust fund program account, budgetary concepts require that general fund appropriations (i.e., $10 billion from the CARES Act and $2 billion from CRRSAA) be deposited to a general fund payment account, apportioned, then transferred to an available trust fund receipt account, fully expending the appropriation. The transfer-in to the available trust fund receipt account is then recorded as an appropriated receipt, apportioned, and available for obligation.

Because Relief for Airports was established as a general fund program account, the general fund appropriation is deposited, apportioned, and expended out of the same budgetary program account.

The classification of funds from dedicated collections is made by individual fund. In situations where there is a mixed source of funding, the classification is based on the predominant source of funding.

This note is presented on both a combined and consolidated basis. The combined presentation does not eliminate intra-entity balances or transactions with other non-COVID-19 related funds, such as the FAA's Franchise Fund. The consolidated presentation eliminates intra-entity balances or transactions between the FAA's COVID-19 related funds.

The FAA's COVID-19 activity as of and for the year ended September 30, 2023, consists of the following:

(Dollars in Thousands)

	2023		
Balance Sheet	**Funds from dedicated collections**	**Funds from other than dedicated collections**	**Total**
Assets			
Fund balance with Treasury (Note 2)	$ 575,421	$ 1,636,787	$ 2,212,208
Accounts receivable, net (Note 4)	-	207	207
Advances and prepayments	239	-	239
Total assets	$ 575,660	$ 1,636,994	$ 2,212,654
Liabilities and net position			
Accounts payable	$ -	$ 1,457	$ 1,457
Federal employee benefits payable (Note 8)	-	-	-
Other liabilities			
Accrued grant liabilities	543,480	1,512,471	2,055,951
Other (Note 10)	-	-	-
Unexpended appropriations	-	121,449	121,449
Cumulative results of operations	32,180	1,617	33,797
Total liabilities and net position	$ 575,660	$ 1,636,994	$ 2,212,654
Statement of net cost			
Gross program costs	$ 154,035	$ 627,720	$ 781,755
Total net cost	$ 154,035	$ 627,720	$ 781,755
Statement of changes in net position			
Unexpended appropriations			
Beginning balances	$ -	$ 798,074	$ 798,074
Other adjustments	-	(48,228)	(48,228)
Appropriations used	-	(628,397)	(628,397)
Total unexpended appropriations	$ -	$ 121,449	$ 121,449
Cumulative results of operations			
Beginning balances	$ 193,594	$ 926	$ 194,520
Appropriations used	-	628,397	628,397
Transfers-in/out without reimbursement	(7,384)	-	(7,384)
Imputed financing (Note 15)	5	14	19
Net cost of operations	154,035	627,720	781,755
Net change in cumulative results of operations	(161,414)	691	(160,723)
Cumulative results of operations	$ 32,180	$ 1,617	$ 33,797
Total net position	$ 32,180	$ 123,066	$ 155,246
Combined statements of budgetary resources			
Budgetary resources (Note 16)			
Unobligated balance from prior year budget authority, net	$ 304,635	$ 74,362	$ 378,997
Appropriations	(7,384)	(48,228)	(55,612)
Total budgetary resources	$ 297,251	$ 26,134	$ 323,385
Status of budgetary resources			
New obligations and upward adjustments	$ 296,173	$ 16,377	$ 312,550
Unobligated balance, end of year	1,078	9,757	10,835
Total budgetary resources	$ 297,251	$ 26,134	$ 323,385
Outlays, net			
Outlays, net (total)	$ 643,787	$ 3,799,191	$ 4,442,978
Agency outlays, net	$ 643,787	$ 3,799,191	$ 4,442,978

The FAA's COVID-19 activity as of and for the year ended September 30, 2022, consists of the following:

(Dollars in Thousands)

	2022		
Balance Sheet	**Funds from dedicated collections**	**Funds from other than dedicated collections**	**Total**
Assets			
Fund balance with Treasury (Note 2)	$ 1,226,716	$ 5,484,206	$ 6,710,922
Accounts receivable, net (Note 4)	-	-	-
Advances and prepayments	949	-	949
Total assets	$ 1,227,665	$ 5,484,206	$ 6,711,871
Liabilities and net position			
Accounts payable	$ 1,224	$ 3,136	$ 4,360
Federal employee benefits payable (Note 8)	43	62	105
Other liabilities			
Accrued grant liabilities	1,032,782	4,681,956	5,714,738
Other (Note 10)	22	52	74
Unexpended appropriations	-	798,074	798,074
Cumulative results of operations	193,594	926	194,520
Total liabilities and net position	$ 1,227,665	$ 5,484,206	$ 6,711,871
Statement of net cost			
Gross program costs	$ 174,779	$ 4,040,866	$ 4,215,645
Total net cost	$ 174,779	$ 4,040,866	$ 4,215,645
Statement of changes in net position			
Unexpended appropriations			
Beginning balances	$ -	$ 4,838,873	$ 4,838,873
Other adjustments	-	-	-
Appropriations used	-	(4,040,799)	(4,040,799)
Total unexpended appropriations	$ -	$ 798,074	$ 798,074
Cumulative results of operations			
Beginning balances	$ 368,363	$ 966	$ 369,329
Appropriations used	-	4,040,799	4,040,799
Transfers-in/out without reimbursement	(1)	-	(1)
Imputed financing (Note 15)	11	27	38
Net cost of operations	174,779	4,040,866	4,215,645
Net change in cumulative results of operations	(174,769)	(40)	(174,809)
Cumulative results of operations	$ 193,594	$ 926	$ 194,520
Total net position	$ 193,594	$ 799,000	$ 992,594
Combined statements of budgetary resources			
Budgetary resources (Note 16)			
Unobligated balance from prior year budget authority, net	$ 324,355	$ 3,670,089	$ 3,994,444
Appropriations	-	-	-
Total budgetary resources	$ 324,355	$ 3,670,089	$ 3,994,444
Status of budgetary resources			
New obligations and upward adjustments	$ 199,819	$ 3,599,254	$ 3,799,073
Unobligated balance, end of year	124,536	70,835	195,371
Total budgetary resources	$ 324,355	$ 3,670,089	$ 3,994,444
Outlays, net			
Outlays, net (total)	$ 1,324,033	$ 3,610,396	$ 4,934,429
Agency outlays, net	$ 1,324,033	$ 3,610,396	$ 4,934,429

Required Supplementary Information

Deferred Maintenance and Repairs

U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION
As of September 30, 2023
(Dollars in Thousands)
Unaudited

Category	Description	Facility condition is <	Cost to return to acceptable condition: Beginning balance	Cost to return to acceptable condition: Ending balance
Staffed Facilities				
Tier 1	ARTCCs, ATCT/TRACONs at major airports	95%	$ 576,161	$ 936,546
Tier 2	WJHTC and MMAC	95%	64,116	64,452
Tier 3	ATCT/TRACONs at all non-major airports	90%	79,453	113,525
Unstaffed Facilities				
Tier 1	Long range radars	95%	83,919	117,453
Other	Unstaffed infrastructure and fuel storage tanks	N/A	1,142,178	1,361,674
	Total		$ 1,945,827	$ 2,593,650

Deferred maintenance and repair is maintenance or repair that was not performed when it should have been, or was scheduled to be performed but was delayed until a future period due to a lack of resources or funding.

The FAA reports deferred maintenance for facilities critical to the operation of our nation's airspace with a Facilities Condition Index score less than 90–95 percent — meaning that they must be maintained at 90–95 percent of prescribed levels or better to be considered in fair condition or better. These facilities include Air Route Traffic Control Centers (ARTCCs), Air Traffic Control Towers (ATCTs), Terminal Radar Approach Control (TRACON) facilities, the William J. Hughes Technical Center (WJHTC), the Mike Monroney Aeronautical Center (MMAC), and long range radar facilities. Deferred maintenance for fuel storage tanks, and unstaffed infrastructure facilities are reported if they have exceeded the expected lifecycle for those assets. The Facilities Condition Index score is not considered for those assets. All of these facilities are capitalized general property, plant, and equipment, and most of these facilities are fully depreciated given that they were constructed more than 50 years ago.

The FAA prioritizes the maintenance of facilities by their operational significance within the national airspace system. Tier 1 and Tier 2 facilities are those staffed with FAA employees and contractors that support the busiest airports in the United States. Maintenance and repair activities are prioritized to elevate and sustain the greatest number of Tier 1 and Tier 2 facilities to fair to good condition within available funding appropriated to FAA. Ancillary facilities such as long range radars, unstaffed infrastructure, and fuel storage tanks that support Tier 1 and Tier 2 facilities are given higher priority than those that support Tier 3 facilities. Tier 3 facilities support airports with low operational air traffic volume.

Staffed facilities are assessed for deferred maintenance and lifecycle costs on a rotating basis by a qualified engineering firm. Deferred maintenance for unstaffed facilities is determined based on facility surveys or estimated based on the age of the structure. FAA facilities that are administrative in nature have been excluded from these estimates since the state of those facilities does not have a direct impact on the control of air traffic operations. Personal property housed within air traffic facilities, both staffed and unstaffed, has also been excluded from

these estimates because it is likely to become obsolete as technology continues to advance. The FAA recognizes maintenance and repair expenses as incurred.

The total deferred maintenance for FY 2023 is roughly $2.6 billion, which is about $648 million more than FY 2022. The increases reflect inflation and assets aging into the backlog. Details of staffed and unstaffed deferred maintenance are provided below.

STAFFED FACILITIES

There is a total of 149 Tier 1 and Tier 2 staffed facilities maintained by the FAA. These staffed facilities include ARTCCs, and ATCT/TRACONs at major airports. By the end of FY 2023, 134 of the 149 staffed facilities have a Facility Condition Index score below 95 percent, totaling $937 million in deferred maintenance.

There are a total of 318 Tier 3 and Tier 4 staffed facilities maintained by the FAA. These staffed facilities include ATCT/TRACONs at all non-major airports. Of the 318 staffed facilities, 91 were inspected during FY 2023 and 71 were identified to have a Facility Condition Index score below 90 percent. The staffed facilities contribute $114 million in deferred maintenance.

The WJHTC and MMAC owned and leased facilities that have a Facility Condition Index score below 95 percent contribute a total of $64 million in deferred maintenance.

UNSTAFFED FACILITIES

There are a total of 168 Tier 1 unstaffed facilities which are long range radars. Of the 168 long range radars, 120 have a Facility Condition Index score below 95 percent, totaling $117 million in deferred maintenance.

The unstaffed infrastructure and fuel storage tanks include the commissioned buildings and towers only at locations that are not planned to be decommissioned at any time in the future and fuel storage tank backlog at unstaffed facilities. In FY 2023, unstaffed infrastructure accounts for $1.17 billion in deferred maintenance and fuel storage tanks account for $193 million in deferred maintenance, a total of approximately $1.36 billion.

Schedule of Budgetary Resources by Major Fund Type

U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION
Schedule of Budgetary Resources by Major Fund Type
As of September 30, 2023
(Dollars in Thousands)
Unaudited

	Grants-in-Aid for Airports	Other Airport Related Grant Programs	Facilities & Equipment	Research, Engineering & Development	Aviation Insurance Revolving	Franchise Fund	Operations	Expenditure Transfers between FAA Accounts	Other Funds	Combined Total
Budgetary resources										
Unobligated balance from prior year budget authority, net	$ 1,129,887	$ 3,635,096	$ 3,198,909	$ 518,349	$ 2,347,840	$ 213,729	$ 323,299	$ -	$ 20,758	$ 11,387,867
Appropriations	551,171	3,949,772	3,953,146	255,004	-	-	1,921,179	9,993,821	435	20,624,528
Contract authority	3,350,000	-	-	-	-	-	-	-	-	3,350,000
Spending authority from offsetting collections	1,389	-	125,934	14,385	66,180	633,907	10,156,306	-	-	10,998,101
Total budgetary resources	$ 5,032,447	$ 7,584,868	$ 7,277,989	$ 787,738	$ 2,414,020	$ 847,636	$ 12,400,784	$ 9,993,821	$ 21,193	$ 46,360,496
Status of budgetary resources										
New obligations and upward adjustments	$ 4,055,126	$ 3,456,732	$ 3,854,117	$ 259,548	$ 922	$ 525,070	$ 12,160,167	$ 9,993,821	$ 1,476	$ 34,306,979
Unobligated balance, end of year										
Apportioned, unexpired accounts	933,151	4,128,134	3,359,454	516,402	20,337	322,566	153,118	-	11,318	9,444,480
Unapportioned, unexpired accounts	21,440	2	-	5,491	2,392,761	-	693	-	542	2,420,929
Unexpired unobligated balance, end of year	954,591	4,128,136	3,359,454	521,893	2,413,098	322,566	153,811	-	11,860	11,865,409
Expired unobligated balance, end of year	22,730	-	64,418	6,297	-	-	86,806	-	7,857	188,108
Unobligated balance, end of year (total)	977,321	4,128,136	3,423,872	528,190	2,413,098	322,566	240,617	-	19,717	12,053,517
Total budgetary resources	$ 5,032,447	$ 7,584,868	$ 7,277,989	$ 787,738	$ 2,414,020	$ 847,636	$ 12,400,784	$ 9,993,821	$ 21,193	$ 46,360,496
Outlays, net										
Outlays, net (total)	$ 4,520,767	$ 3,916,389	$ 3,424,156	$ 222,231	$ (67,143)	$ (108,696)	$ 1,920,904	$ 9,993,821	$ 1,677	$ 23,824,106
Distributed offsetting receipts	-	-	-	-	-	-	-	-	(17,685)	(17,685)
Agency outlays, net	$ 4,520,767	$ 3,916,389	$ 3,424,156	$ 222,231	$ (67,143)	$ (108,696)	$ 1,920,904	$ 9,993,821	$ (16,008)	$ 23,806,421

U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION

Schedule of Budgetary Resources by Major Fund Type

As of September 30, 2022
(Dollars in Thousands)
Unaudited

	Grants-in-Aid for Airports	Other Airport Related Grant Programs	Facilities & Equipment	Research, Engineering & Development	Aviation Insurance Revolving	Franchise Fund	Operations	Expenditure Transfers between FAA Accounts	Other Funds	Combined Total
Budgetary resources										
Unobligated balance from prior year budget authority, net	$ 1,004,489	$ 3,660,729	$ 2,347,355	$ 158,017	$ 2,316,058	$ 234,684	$ 280,232	$ -	$ 22,988	$ 10,024,552
Appropriations	554,180	3,998,000	3,992,887	545,519	-	-	5,000,000	6,414,100	1,307	20,505,993
Contract authority	3,350,000	-	-	-	-	-	-	-	-	3,350,000
Spending authority from offsetting collections	1,263	-	67,606	12,198	30,707	493,891	6,563,336	-	-	7,169,001
Total budgetary resources	$ 4,909,932	$ 7,658,729	$ 6,407,848	$ 715,734	$ 2,346,765	$ 728,575	$ 11,843,568	$ 6,414,100	$ 24,295	$ 41,049,546
Status of budgetary resources										
New obligations and upward adjustments	$ 4,122,887	$ 4,027,286	$ 3,346,831	$ 216,193	$ 1,429	$ 544,649	$ 11,598,317	$ 6,414,100	$ 3,645	$ 30,275,337
Unobligated balance, end of year										
Apportioned, unexpired accounts	738,677	3,631,443	2,977,656	195,973	20,174	183,926	174,158	-	15,508	7,937,515
Unapportioned, unexpired accounts	37,985	-	9,543	297,000	2,325,162	-	237	-	5,142	2,675,069
Unexpired unobligated balance, end of year	776,662	3,631,443	2,987,199	492,973	2,345,336	183,926	174,395	-	20,650	10,612,584
Expired unobligated balance, end of year	10,383	-	73,818	6,568	-	-	70,856	-	-	161,625
Unobligated balance, end of year (total)	787,045	3,631,443	3,061,017	499,541	2,345,336	183,926	245,251	-	20,650	10,774,209
Total budgetary resources	$ 4,909,932	$ 7,658,729	$ 6,407,848	$ 715,734	$ 2,346,765	$ 728,575	$ 11,843,568	$ 6,414,100	$ 24,295	$ 41,049,546
Outlays, net										
Outlays, net (total)	$ 5,745,880	$ 2,692,614	$ 3,095,845	$ 197,487	$ (29,706)	$ 6,207	$ 3,926,886	$ 7,434,100	$ 1,812	$ 23,071,125
Distributed offsetting receipts	-	-	-	-	-	-	-	-	(9,669)	(9,669)
Agency outlays, net	$ 5,745,880	$ 2,692,614	$ 3,095,845	$ 197,487	$ (29,706)	$ 6,207	$ 3,926,886	$ 7,434,100	$ (7,857)	$ 23,061,456

Land

(Unaudited)

The FAA acquires land and permanent land rights when there is an operational requirement that supports the FAA's mission to provide the safest, most efficient aerospace system in the world. This includes land to provide space for FAA facilities and equipment, such as navigational aids and communication systems that are location specific, meaning there is nowhere else the equipment can be placed that will provide the service required. Permanent land rights include utility and access easements.

On June 7, 1987, Washington Dulles International and Washington National Airports were transferred to the Metropolitan Washington Airports Authority under a 50-year lease authorized by the Metropolitan Washington Airports Act of 1986, Title VI of Public Law 99-500. All property was transferred to the Metropolitan Washington Airports Authority, and the federal government holds title to the lease. In 2003, the Secretary of Transportation approved a 30-year extension of the lease agreement. This land is therefore categorized as commercial use land.

To acquire land, the FAA must comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, also known as the Uniform Relocation Act (URA). Provisions of the URA are mandatory and provide minimum real property acquisition policies for appraisal, negotiation, and property possession standards and requirements. Title 49 Code of Federal Regulations Part 24 (49 CFR 24), Uniform Relocation Assistance and Real Property Acquisition for Federal and Federally Assisted Programs, promulgates rules to implement the Uniform Relocation Act.

The FAA's policy is to purchase real property interests that are in the best interest of the FAA and at fair and reasonable prices. A lease versus purchase analysis must be completed for all prospective real property land acquisitions. All lease versus purchase analyses must take into consideration the anticipated term to satisfy the FAA's needs. The lease versus purchase analysis is used to determine the most cost-effective acquisition strategy.

It is also FAA policy to identify and evaluate environmental conditions prior to the acquisition or disposal of land to inform decision-making and minimize potential environmental liabilities.

As of September 30, 2023 and 2022, the estimated acreage for land and permanent land rights (presented in actual acreage), by predominant use, were:

	2023	2022
Land and permanent land rights		
Operational	65,234	68,036
Commercial	11,802	11,802
Total land and permanent land rights	77,036	79,838

There were approximately 571 and 971 acres of land and permanent land rights held for disposal as of September 30, 2023 and 2022, respectively.

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Launch of the SpaceX Falcon Heavy rocket.

Photo by Bill Jelen via Unsplash

Other Information

Summary of Financial Statement Audit and Management Assurances

SUMMARY OF FINANCIAL STATEMENT AUDIT

Table 1 is a summary of the results of the independent audit of the FAA's FY 2023 consolidated financial statements.

TABLE 1: Summary of Financial Statement Audit					
Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Ending Balance**
Total Material Weaknesses	0	0	0	0	0

SUMMARY OF MANAGEMENT ASSURANCES

Table 2 is a summary of management assurances for FY 2023 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 of 1982 (FMFIA). The last portion of Table 2 summarizes the FAA's compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA).

TABLE 2: Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Total Material Weaknesses	0	0	0	0	0	0

Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Total Material Weaknesses	0	0	0	0	0	0

Conformance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Federal Systems conform to financial management system requirements					
Non-Conformances	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Total non-conformances	0	0	0	0	0	0

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)		
Non-Conformances	**Agency**	**Auditor**
1. Federal Financial Management System Requirements	No lack of compliance noted	No lack of compliance noted
2. Applicable Federal Accounting Standards	No lack of compliance noted	No lack of compliance noted
3. U.S. Standard General Ledger at Transaction Level	No lack of compliance noted	No lack of compliance noted

Payment Integrity

The Payment Integrity Information Act of 2019 (PIIA) requires government agencies to identify programs and activities susceptible to significant improper payments. The purpose of the PIIA is to improve efforts to identify, prevent, reduce, and recover these improper payments. Specifically, the PIIA requires agencies to identify and estimate their improper payments, conduct payment recovery audits, reuse recovered payments, and report their actions to ensure compliance.

Under the PIIA, agencies must identify those programs and financial activities that are most susceptible to improper payments. This allows agencies to focus on areas with the greatest potential for significant improper payments.

The Office of Management and Budget (OMB) Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement* (M-21-19), dated March 5, 2021, provides guidance on implementing the PIIA. This circular defines an improper payment as any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments or underpayments that are made to eligible recipients including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments for the incorrect amount, and duplicate payments. An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments authorized by law). Payments with insufficient documentation may also be considered improper payments.

The OMB defines significant improper payments as those payments exceeding both $10 million and 1.5 percent of total program payments, or those exceeding $100 million. The FAA's FY 2023 PIIA review did not identify any programs or activities with a potential for significant improper payments as determined by the OMB.

Federal Aviation Administration Process

The FAA's process for complying with the PIIA and OMB Circular A-123, Appendix C, consists of the following steps:

1. Identify programs and activities susceptible to significant improper payments.
2. Obtain a statistically valid estimate of the annual amount of improper payments in programs identified as susceptible to significant improper payments.
3. Implement a plan to reduce erroneous payments.
4. Report estimates of the annual amounts of improper payments in programs and activities as well as progress in reducing future improper payments.

For FY 2023, the FAA completed a quantitative risk assessment for American Rescue Plan Act Airport Response Grant and qualitative risk assessments for FAA Facilities and Equipment, FAA Franchise Fund, FAA Operations, and FAA Research, Engineering, and Development programs. These assessments showed that the programs are not susceptible to significant improper payments and that the FAA conformed with the requirements of PIIA and OMB Circular A-123, Appendix C.

Actions Taken to Address Auditor Recovery Recommendations

The DOT performed a department-wide recapture audit and screened payments against the Do Not Pay databases, which included the FAA's programs and activities. The DOT also worked with the FAA's Enterprise Services Center to recover any FAA overpayments and identify weaknesses in the payment process. Federal personnel within the DOT's Payment Integrity Center performed the payment recovery audit. External auditors do not perform this work, and the FAA has no corrective actions to address.

The DOT will report FY 2023 payment accuracy results in the DOT's FY 2023 Agency Financial Report by November 15, 2023.

For more detailed information on the department's FY 2023 improper payment reviews, see the DOT reporting at **https://www.paymentaccuracy.gov/**.

Civil Monetary Penalty Inflation Adjustments

U.S. DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

Unaudited

The Federal Civil Penalties Inflation Adjustment Act of 2015, Public Law 114-74, requires agencies to make regular and consistent inflationary adjustments of civil monetary penalties to maintain their deterrent effect. Following are the civil penalties that the FAA may impose, the authority for imposing the penalty, the dates of inflation adjustments, and the current penalty level.

Statutory Authority	Penalty	Year of Enactment	Latest Year of Adjustment (via statute or regulation)	Current Maximum Penalty or Penalty Range	Location for Penalty Update Details
49 U.S.C. 5123(a)(1)	Violation of hazardous materials transportation law	1975	2023	$96,624	Federal Register; 88 Fed. Reg. 1,114 (January 6, 2023)
49 U.S.C. 5123(a)(2)	Violation of hazardous materials transportation law resulting in death, serious illness, severe injury, or substantial property destruction	2005	2023	$225,455	Federal Register; 88 Fed. Reg. 1,114 (January 6, 2023)
49 U.S.C. 5123(a)(3)	Violation of hazardous materials transportation law relating to training	2005	2023	$582–$96,624	Federal Register; 88 Fed. Reg. 1,114 (January 6, 2023)
49 U.S.C. 44704(d)(3)(B)	Knowing presentation of a nonconforming aircraft for issuance of an initial airworthiness certificate by a production certificate holder	2020	2023	$1,144,488	Federal Register; 88 Fed. Reg. 1,114 (January 6, 2023)
49 U.S.C. 44704(e)(4)(A)	Knowing failure by an applicant for or holder of a type of certificate to submit safety critical information or include certain such information in an airplane flight manual or flight crew operating manual contrary to 49 U.S.C. 44704(e)(1)-(3)	2020	2023	$1,144,488	Federal Register; 88 Fed. Reg. 1,114 (January 6, 2023)
49 U.S.C. 44704(e)(5)	Knowing false statement by an airline transport pilot certificate holder with respect to the submission of certain safety critical information	2020	2023	See entries for 49 U.S.C. 46301(a)(1) and (a)(5).	Federal Register; 88 Fed. Reg. 1,114 (January 6, 2023)
49 U.S.C. 44742	Interference by a supervisory employee of an organization designation authorization (ODA) holder that manufactures a transport category airplane with an ODA unit member's performance of authorized functions	2020	2023	See entries for 49 U.S.C. 46301(a)(1).	Federal Register; 88 Fed. Reg. 1,114 (January 6, 2023)

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Statutory Authority	Penalty	Year of Enactment	Latest Year of Adjustment (via statute or regulation)	Current Maximum Penalty or Penalty Range	Location for Penalty Update Details
49 U.S.C. 44802 note	Operation of an unmanned aircraft or unmanned aircraft system equipped or armed with a dangerous weapon	2018	2023	$29,462	Federal Register; 88 Fed. Reg. 1,114 (January 6, 2023)
49 U.S.C. 46301(a)(1)	Violation by a person other than an individual or small business concern under 49 U.S.C. 46301(a)(1)(A) or (B)	1958	2023	$40,272	Federal Register; 88 Fed. Reg. 1,114 (January 6, 2023)
49 U.S.C. 46301(a)(1)	Violation by an airman serving as an airman under 49 U.S.C. 46301(a)(1)(A) or (B) (but not covered by 46301(a)(5)(A) or (B))	1958	2023	$1,771	Federal Register; 88 Fed. Reg. 1,114 (January 6, 2023)
49 U.S.C. 46301(a)(1)	Violation by an individual or small business concern under 49 U.S.C. 46301(a)(1)(A) or (B) (but not covered in 49 U.S.C. 46301(a)(5))	1958	2023	$1,771	Federal Register; 88 Fed. Reg. 1,114 (January 6, 2023)
49 U.S.C. 46301(a)(3)	Violation of 49 U.S.C. 47107(b) (or any assurance made under such section) or 49 U.S.C. 47133	1958	N/A	Increase above otherwise applicable maximum amount not to exceed 3 times the amount of revenues that are used in violation of such section.	Federal Register; 88 Fed. Reg. 1,114 (January 6, 2023)
49 U.S.C. 46301(a)(5)(A)	Violation by an individual or small business concern (except an airman serving as an airman) under 49 U.S.C. 46301(a)(5)(A)(i) or (ii))	2003	2023	$16,108	Federal Register; 88 Fed. Reg. 1,114 (January 6, 2023)
49 U.S.C. 46301(a)(5)(B)(i)	Violation by an individual or small business concern related to the transportation of hazardous materials	2003	2023	$16,108	Federal Register; 88 Fed. Reg. 1,114 (January 6, 2023)
49 U.S.C. 46301(a)(5)(B)(ii)	Violation by an individual or small business concern related to the registration or recordation under 49 U.S.C. chapter 441, of an aircraft not used to provide air transportation	2003	2023	$16,108	Federal Register; 88 Fed. Reg. 1,114 (January 6, 2023)
49 U.S.C. 46301(a)(5)(B)(iii)	Violation by an individual or small business concern of 49 U.S.C. 44718(d), relating to limitation on construction or establishment of landfills	2003	2023	$16,108	Federal Register; 88 Fed. Reg. 1,114 (January 6, 2023)

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Statutory Authority	Penalty	Year of Enactment	Latest Year of Adjustment (via statute or regulation)	Current Maximum Penalty or Penalty Range	Location for Penalty Update Details
49 U.S.C. 46301(a)(5)(B)(iv)	Violation by an individual or small business concern of 49 U.S.C. 44725, relating to the safe disposal of life-limited aircraft parts	2003	2023	$16,108	Federal Register; 88 Fed. Reg. 1,114 (January 6, 2023)
49 U.S.C. 46301 note	Individual who aims the beam of a laser pointer at an aircraft in the airspace jurisdiction of the United States, or at the flight path of such an aircraft	2016	2023	$30,820	Federal Register; 88 Fed. Reg. 1,114 (January 6, 2023)
49 U.S.C. 46301(b)	Tampering with a smoke alarm device	1987	2023	$5,171	Federal Register; 88 Fed. Reg. 1,114 (January 6, 2023)
49 U.S.C. 46302	Knowingly providing false information about alleged violation involving the special aircraft jurisdiction of the United States	1984	2023	$28,085	Federal Register; 88 Fed. Reg. 1,114 (January 6, 2023)
49 U.S.C. 46318	Physical or sexual assault or threat to physically or sexually assault crewmember or other individual on an aircraft, or action that poses an imminent threat to the safety of the aircraft or individuals on board	2000	2023	$42,287	Federal Register; 88 Fed. Reg. 1,114 (January 6, 2023)
49 U.S.C. 46319	Permanent closure of an airport without providing sufficient notice	2003	2023	$16,108 per day	Federal Register; 88 Fed. Reg. 1,114 (January 6, 2023)
49 U.S.C. 46320	Operating an unmanned aircraft and in so doing knowingly or recklessly interfering with a wildfire suppression, law enforcement, or emergency response effort	2016	2023	$24,656	Federal Register; 88 Fed. Reg. 1,114 (January 6, 2023)
49 U.S.C. 47531	Violation of 49 U.S.C. 47528-47530 or 47534, relating to the prohibition of operating certain aircraft not complying with stage 3 noise levels	1990	N/A	See entries for 49 U.S.C. 46301(a)(1) and (a)(5)	Federal Register; 88 Fed. Reg. 1,114 (January 6, 2023)
51 U.S.C. 50917 (c)	Violation of 51 U.S.C. 50901-50923, a regulation issued under these statutes, or any term or condition of a license or permit issued or transferred under these statutes	1984	2023	$283,009	Federal Register; 88 Fed. Reg. 1,114 (January 6, 2023)

Grants Programs

The following is a summary of the total number of federal grant and cooperative agreement awards and balances not closed out but for which the period of performance has elapsed by two years or more prior to September 30, 2023 (i.e., on or before September 30, 2021):

CATEGORY	2 – 3 Years	4 – 5 Years	>5 Years
Number of Grants/ Cooperative Agreements with Zero Dollar Balances	189	185	300
Number of Grants/ Cooperative Agreements with Undisbursed Balances	65	23	11
Total Amount of Undisbursed Balances *(Dollars in Thousands)*	$9,484	$15	$198

In FY 2023, the FAA continued to review expired grants and made significant progress closing out grants. There are three key management challenges that lead to delays in grant closeouts. These challenges include:

- Grant recipient has an audit or pending legal action.
- Grant recipients' untimely submission of closeout documentation to the FAA.
- Grants officer training for new FAA personnel.

The FAA continues to monitor grants to ensure that recipients are providing closeout documentation in a timely manner. Monitoring activities include review of closeout progress, financial, audit, and other periodic reports. The FAA also continues to emphasize closing out older grants.

Tower at Traverse City Airport, also known as Cherry Capital Airport, Traverse City, MI.
FAA photo by Micah Maziar

Climate-Related Financial Risk

Environmental impacts, such as those resulting from climate change, can have potentially profound impacts on the assets and infrastructure supporting the nation's airspace system. Executive Order 14008, *Tackling the Climate Crisis at Home and Abroad*, requires agencies to assess their critical facilities and assets for vulnerabilities from the expected impacts of climate change. The executive order also charges the federal government to bolster resiliency and reduce disruptions to national supply chains, including the national airspace system.

The FAA collaborated with the Office of the Secretary of Transportation and the U.S. DOT Volpe Center to develop the Climate Hazard Evaluation and Risk tool which allows all DOT operating administrations to assess their facilities with publicly available data and present accurate risks to management along with recommended mitigation techniques. The tool was available for the FAA to begin assessing high-priority facilities late in FY 2022.

In FY 2022, the FAA was appropriated an additional $100 million in Facilities and Equipment funds for necessary expenses related to the impacts of Hurricane Ida. This includes maintenance and repairs to FAA facilities along the hurricane path that aim to reduce future risks from climate change. This follows more than $32 million of funding in response to Hurricanes Harvey and Nate (2017).

Climate change can also have potentially profound impacts on airports. The FAA recognizes that it may need to make investments for airports exposed to flooding and other risks. Permafrost collapse in Alaska has already led to an airport relocation, with other relocations being planned. Certain runways, taxiways, aprons, and other airport infrastructure may need to be rebuilt, replaced, or relocated. For example, as temperatures rise, certain aircraft may require reduced payload to safely takeoff with available runway length. The FAA continues to assess these risks and is working with airports to address and mitigate these risks through infrastructure grants and through its sustainability program. More broadly, in FY 2023, the FAA continued to work with the Volpe Center, airports, and airport associations to develop a resilience framework to assist FAA and airport operators to better incorporate resilience analysis and prioritization into airport project planning and funding. This program will:

- Execute case studies to identify best practices and gaps in current resiliency and infrastructure planning processes.
- Develop a resilience analysis framework that will assist airports and their consultants with conducting repeatable and effective resilience assessments.
- Address framework criteria — over varying timescales and scenarios — for projected impacts on pavement, drainage, and electrical systems performance.
- Assist the FAA with prioritizing resiliency investments.

While climate change presents some degree of risk to the FAA's assets, program costs, and financial position, such matters are not reflected in the FAA's financial statements because they do not meet the accounting standards for recognition of liabilities.

For additional information on climate-related risk, see the DOT's Climate Action Plan for Resilience at **https://www.transportation.gov/sustainability/climate/dot-climate-action-plan-resilience**.

Agency Audit Resolution Reports

Office of Inspector General (OIG)

FAA management is mindful of the statutory requirements included in the Inspector General Act, as amended; OMB Circular A-50, *Audit Follow-up*; and OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Management has a responsibility to complete actions in a timely manner on audit recommendations where the FAA has reached agreement with the DOT OIG. Management must make a decision[1] regarding audit recommendations within a six-month period after the issuance of the audit report and implement a management decision within one year, to the extent practicable.

On October 1, 2022, the FAA had a beginning balance of 179 audit recommendations. During FY 2023, the DOT OIG issued a total of 73 audit recommendations — three recommendations for funds put to better use and 70 non-financial procedural recommendations. During FY 2023, the FAA closed 67 recommendations, which left 185 recommendations open at the end of the fiscal year. Of the number closed, 64 were procedural or non-monetary and one was questioned/unsupported costs, which represented $1.6 million in disallowed costs; the DOT recovered the full amount. As of September 30, 2023, the FAA has no recommendations over six months old without a management decision.

The tables below show that the FAA made management decisions to act on three audit recommendations with management efficiencies[2] and planned recoveries[3] that totaled $41 million. In addition, the FAA completed final action for three monetary audit recommendations that represented $131 million in cost savings.

1 A "management decision" is the evaluation of a recommendation by management and a decision upon an appropriate course of action.

2 "Management efficiencies" relate to monetary recommendations that could allow the agency to use funds more efficiently. The recommendation can include (a) savings from such items as reprogramming or the recapture of unliquidated obligations; (b) more efficient contract negotiations; or (c) the reduction or elimination of payments, costs, or expenses the agency would incur. This term has the same meaning as "funds put to better use."

3 "Planned recoveries" relate to collections of disallowed costs.

Management Action on Recommendations that Funds be Put to Better Use

	Recommendations	Dollar Value *(Dollars in Thousands)*
Management decisions:		
Beginning balance on October 1, 2022	5	$ 288,616
Management decisions during the fiscal year	3	40,675
Total management decisions made	8	329,291
Final actions:		
Recommendations implemented	2	$ 129,200
Recommendations not implemented	-	-
Total final actions	2	129,200
Ending balance on September 30, 2023[1]	6	$ 200,091

Management Action on Audit Recommendations with Disallowed Costs

	Recommendations	Dollar Value *(Dollars in Thousands)*
Management decisions:		
Beginning balance on October 1, 2022	4	$ 12,498
Management decisions during the fiscal year	-	-
Total management decisions made	4	12,498
Final actions:		
Collections/offsets	1	$ 1,612
Total final actions[2]	1	1,612
Ending balance on September 30, 2023[1]	3	$ 10,886

Note: The data in these tables do not include procedural (non-monetary) audit recommendations.

1 "Ending balance on September 30, 2023" equals "Total management decisions made" less "Total final actions."

2 An audit recommendation can involve multiple recovery types (collections/offset, other recovery, write-offs).

Government Accountability Office (GAO)

On October 1, 2022, the FAA had a beginning balance of 62 open audit recommendations. During FY 2023, the FAA closed six recommendations and the GAO issued a total of five new recommendations. As of September 30, 2023, the GAO had 33 audits underway within the FAA.

Piper Archer with clouds on the horizon.
FAA Photo by Micah Maziar

Administrative Services Franchise Fund

Background

The Department of Transportation and Related Agencies Appropriation Act of 1997 authorized the FAA to establish an Administrative Services Franchise Fund (Franchise Fund). Through the Franchise Fund, the FAA competitively provides a wide variety of support services to various government entities. This results in the consolidation and shared use of like functions and promotes economies of scale. These measures help the government use its resources more efficiently.

The FAA's Franchise Fund has grown from $18 million in 1997 to more than $500 million in annual revenues in FY 2023, with over $1 billion in assets. The Franchise Fund is comprised of several service providers, through which it offers multiple services. These services include administrative services such as accounting, travel, duplication, multimedia, and information technology. Other services include logistics and materiel management, aircraft maintenance, management training, international aviation training, and acquisition support. The Franchise Fund's major customers are programs within the FAA's lines of business, other DOT entities, non-DOT government agencies, and international government entities.

Description of Programs and Services

The Enterprise Services Center (ESC) is based at the Mike Monroney Aeronautical Center (MMAC) in Oklahoma City, Oklahoma. The ESC is a full-service financial management provider and designated by the OMB as one of four legacy shared service providers to provide financial management services and information systems security services to federal agencies. OMB memorandum M-19-16, *Centralized Mission Support Capabilities for the Federal Government*, established a process for designating agencies as Quality Services Management Offices and directs legacy designated providers, such as the ESC, to propose a joint business case with the Quality Services Management Office designated for financial management to accept any new customers, expand services to existing customers, or make investments in technology or services for these functions.

There are two major components of the ESC — financial services and information services. The efficiencies and economies of scale created by this integration make the ESC an attractive option to government customers seeking a provider of financial management services.

- Financial Services — Offers cost-effective ways to integrate and manage accounting needs, from transaction processing to financial statements, to reporting and analysis. ESC Financial Services helps with regulatory compliance, achieving clean audits, and keeping projects on-time.
- Information Services — Provides a wide array of platforms to manage information. Offers support in: Application Services, Help Desk Services, Data Center Services, Information System Security, Media Solutions, Office Automation Support, Project Management, National Wireless Program, and Telecommunication Services.

The DOT was the first cabinet level department to consolidate their entire financial operations, using DELPHI as the system, and ESC as the service provider. In FY 2022, ESC integrated the OPM onto the DELPHI financial system. As a result, ESC is currently the only Federal financial service provider to manage financial operations for two cabinet level agencies.

The FAA Logistics Center is also located at the MMAC and provides comprehensive logistics support and a sophisticated level of maintenance and repair services to ensure the safety of the flying public, to satisfy the critical needs of the nation's airspace system, and to meet related requirements. The FAA Logistics Center operates the FAA's only distribution center. Services include materiel management (e.g., provisioning, cataloging, acquisition, inventory management, inventory supply), reliable and cost-effective repair of replaceable units, life cycle and performance cost analysis, logistics automation, distribution services, disposal of items no longer required, and technical support to repair and maintain the nation's airspace and related equipment. The Logistics Center also maintains the Department of Homeland Security's (DHS) U.S. Customs and Border Protection border surveillance systems, including more than 80 mobile surveillance systems and fixed towers. It provides supply chain support, depot maintenance support, engineering, and other systems support to the DHS.

Flight Program Operations is also based at the MMAC. This service provider offers total aircraft support, including maintenance, quality assurance, and overall program

management, for the FAA's uniquely equipped flight inspection aircraft fleet. Flight Program Operations offers preventative services, aircraft repair, overhaul, and modification services, as well as reliability and maintainability studies. Flight Program Operations has the flexibility to provide either full or partial support, depending upon customer requirements, ranging from short-term preventative maintenance or one-time engineering tasks to more involved activities, such as a full complement of maintenance services, complete with quality assurance and engineering support.

The FAA Leadership and Learning Institute provides non-technical training in support of the FAA mission. This Institute designs and delivers face-to-face instructor-led training at centralized and field locations, virtual instructor-led training, web based training, and mobile access. The curriculum of the FAA Leadership and Learning Institute emphasizes workforce development by providing FAA employees with tools to proactively address challenges, share knowledge, and collaborate to meet the mission of the FAA. The FAA Leadership and Learning Institute will be exiting the franchise fund by mid-year FY 2024. This change will allow the Franchise Fund's Leadership Development Division to implement efficiencies with other training opportunities offered by the FAA's Office of Human Resource Management.

The International Training Division (ITD), an element of the FAA Academy, is located at the MMAC. ITD delivers technical assistance and training to enhance international aviation safety and security while promoting U.S. aviation system technologies, products, and services overseas. The products and services of the ITD include training program management, instructional services, training design, development, and revision, technical training evaluations, and consulting services tailored to meet the specifically defined needs of the FAA and its international customers.

The Franchise Fund also houses a branch of acquisition services whose mission is to support the acquisition requirements of the other Franchise Fund service providers.

Corporate Services is the Franchise Fund's program management activity that coordinates and supports the Franchise Fund's operations.

Inter-Entity Cost

The FAA provides general and administrative support services, such as managerial, facilities, and security services, to the Franchise Fund that support the Franchise Fund's business-type operations. Because these support services are provided to the Franchise Fund at no cost, the Franchise Fund in turn provides services to the FAA at a price less than full cost. The difference between the full cost and the costs billed to the FAA is the overhead rate that the Franchise Fund uses to recover these general and administrative costs, as appropriate, from non-FAA customers.

The estimated cost of the FAA general and administrative support services were $51 million in fiscal year 2023 and $47 million in fiscal year 2022.

U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION

ADMINISTRATIVE SERVICES FRANCHISE FUND
COMBINED BALANCE SHEETS

As of September 30, 2023 and 2022
(Dollars in Thousands)
Unaudited

	2023	2022
Assets		
Intragovernmental		
Fund balance with Treasury	$ 501,884	$ 393,188
Advances and prepayments	1,529	1,078
Total intragovernmental	503,413	394,266
Other than intragovernmental		
Accounts receivable, net	32	30
Inventory and related property, net	757,038	750,147
General property, plant, and equipment, net	11,735	12,374
Total other than intragovernmental	768,805	762,551
Total assets	$ 1,272,218	$ 1,156,817
Liabilities		
Intragovernmental		
Accounts payable	$ 133	$ 258
Advances from others and deferred revenue	415,170	308,193
Other liabilities	3,605	3,478
Total intragovernmental	418,908	311,929
Other than intragovernmental		
Accounts payable	17,672	21,313
Federal employee benefits payable	344	328
Advances from others and deferred revenue	251	259
Other liabilities	21,091	20,500
Total other than intragovernmental	39,358	42,400
Total liabilities	$ 458,266	$ 354,329
Net position		
Cumulative results of operations	$ 813,952	$ 802,488
Total net position	813,952	802,488
Total liabilities and net position	$ 1,272,218	$ 1,156,817

U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION

ADMINISTRATIVE SERVICES FRANCHISE FUND
CONSOLIDATED STATEMENTS OF NET COST

For the Years Ended September 30, 2023 and 2022
(Dollars in Thousands)
Unaudited

	2023							
	Enterprise Services Center	Corporate Services	Flight Program Operations	FAA Leadership & Learning Institute	International Training	Acquisitions	FAA Logistics Center	Total
Gross costs								
Operating cost	$ 156,621	$ (179)	$ 55,918	$ 6,123	$ 492	$ 5,394	$ 336,612	$ 560,981
Imputed cost (OPM)	6,922	100	1,248	125	-	304	5,888	14,587
Less earned revenues								
Operating revenue	145,829	-	55,894	5,490	366	4,612	344,842	557,033
Operating profit/(loss) before gains/(losses)	$ (17,714)	$ 79	$ (1,272)	$ (758)	$ (126)	$ (1,086)	$ 2,342	$ (18,535)
Net gains/(losses)	-	-	-	-	-	-	15,774	15,774
Total profit/(loss)	$ (17,714)	$ 79	$ (1,272)	$ (758)	$ (126)	$ (1,086)	$ 18,116	$ (2,761)

	2022							
	Enterprise Services Center	Corporate Services	Flight Program Operations	FAA Leadership & Learning Institute	International Training	Acquisitions	FAA Logistics Center	Total
Gross costs								
Operating cost	$ 152,132	$ (183)	$ 55,973	$ 6,174	$ 2,304	$ 5,077	$ 280,835	$ 502,312
Imputed cost (OPM)	4,910	60	932	54	-	237	4,239	10,432
Less earned revenues								
Operating revenue	144,532	-	55,766	5,783	2,056	3,791	276,434	488,362
Operating profit/(loss) before gains/(losses)	$ (12,510)	$ 123	$ (1,139)	$ (445)	$ (248)	$ (1,523)	$ (8,640)	$ (24,382)
Net gains/(losses)	-	-	-	-	-	-	16,723	16,723
Total profit/(loss)	$ (12,510)	$ 123	$ (1,139)	$ (445)	$ (248)	$ (1,523)	$ 8,083	$ (7,659)

U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION

ADMINISTRATIVE SERVICES FRANCHISE FUND
COMBINED STATEMENTS OF CHANGES IN NET POSITION

For the Years Ended September 30, 2023 and 2022
(Dollars in Thousands)
Unaudited

	2023	2022
Cumulative results of operations		
Beginning balances	$ 802,488	$ 799,719
Transfers-in/out without reimbursement	(362)	(4)
Imputed financing	14,587	10,432
Profit/(loss)	(2,761)	(7,659)
Net change in cumulative results of operations	11,464	2,769
Cumulative results of operations - ending	$ 813,952	$ 802,488
Net position	$ 813,952	$ 802,488

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Summary of Inspector General's Top Management and Performance Challenges

The Reports Consolidation Act of 2000 requires the Inspector General (IG) to identify and report annually on the most serious management and performance challenges that federal agencies face. The DOT IG's report highlights urgent issues facing the entire DOT, of which FAA is one component organization.

DOT's FY 2024 Top Management Challenges report

On November 1, 2023 — eight days before publication of this FAA FY 2023 PAR — the DOT IG issued its forward-looking report identifying the top management and performance challenge areas facing the DOT in FY 2024. The IG's finalized report is available on the IG's website at **https://www.oig.dot.gov/** and on the FAA's website at **https://www.faa.gov/about/plans_reports**.

The IG's FY 2024 memorandum to the Secretary is provided on the following pages, and while it is titled "DOT's Fiscal Year 2024 Top Management Challenges," the report addresses both management and performance challenges for the entire department. The pages immediately following the IG memorandum contain a brief summary of how the FAA is addressing those challenge areas specific to the FAA.

U.S. Department of Transportation
Office of Inspector General

Memorandum

Date: November 1, 2023

Subject: INFORMATION: DOT's Fiscal Year 2024 Top Management Challenges
Report No. PT2024002

From: Eric J. Soskin
Inspector General

To: The Secretary
Deputy Secretary

As required by law, the Office of Inspector General (OIG) delivers an annual report on the top management challenges at the Department of Transportation (DOT). Our role in providing independent and objective oversight, and our mission of promoting economy, efficiency, and effectiveness and of detecting and preventing fraud, waste, and abuse, provide us with a unique perspective regarding the challenges that DOT faces. We base this report on our audit and investigative work, our knowledge of the activities and operations of DOT and its Operating Administrations (OA), independent sources such as U.S. Government Accountability Office reports, and other information available to us.

DOT's mission is to deliver the world's leading transportation system, a mission that is essential to American prosperity, global competitiveness, national security, and general welfare. In seeking to serve the American people through the safe, efficient, sustainable, and equitable movement of people and goods in a dynamic environment marked by technological and societal change, the Department must manage complex and multifaceted challenges that span its oversight of aviation, highways, transit, rail, ports, and more.

We considered several criteria to identify the Department's top management challenges for fiscal year 2024, including safety impact, documented vulnerabilities, large dollar implications, and the Department's ability to effect change. In the enclosed report, we identify and discuss the following challenge areas:

- Aviation Safety
- Surface Transportation Safety
- Air Traffic Control and Airspace Modernization
- Surface Transportation Infrastructure
- Contract and Grant Fund Stewardship

- Financial Management
- Information Security
- Fraud Detection and Prevention
- Transportation Transformation
- Organizational Excellence

Further, in light of the nearly $660 billion in funding to new and existing programs authorized through the Infrastructure Investment and Jobs Act (IIJA) to bolster our Nation's transportation infrastructure, our report discusses IIJA's impacts on each of these 10 management challenge areas.

In considering these challenges, we recognize that, as always, safety remains at the core of DOT's mission. The Federal Aviation Administration faces the ongoing challenge of strengthening its oversight of aircraft certification processes, while also addressing a series of significant safety incidents involving close calls with aircraft on runways. In addition, the Department must work diligently to reduce the number of traffic, transit, and other surface transportation fatalities. As safety incidents such as the February 2023 Norfolk Southern train derailment in East Palestine, OH, have highlighted, DOT will be challenged to identify root causes and verify and enforce highway, motor carrier, railroad, transit, pipeline, and hazardous materials safety compliance.

Alongside existing funding programs, IIJA established infrastructure programs and projects covering roads, bridges, rail, transit, ports, and electric vehicle charging stations. In all of these, DOT must focus on oversight that ensures compliance with Federal requirements and prevents fraud, waste, and abuse as IIJA progresses. At the same time, the Department is challenged with meeting a wide range of priorities and goals for surface transportation funding, such as improving mobility choices, enhancing resiliency, and accomplishing economic objectives, among others.

In addition to increased funding levels, IIJA also increased the number of grants, grant recipients, projects, programs, and requirements that DOT oversees. Prudent stewardship of contract and grant spending is contingent on DOT's awarding funds to achieve best value outcomes and verifying that they are spent appropriately. Challenges include establishing sound pricing, promoting competition, tracking funds status, validating expense eligibility, and implementing controls to prevent improper payments. Our office has also identified several high-risk fraud areas related to IIJA programs, including bid rigging, materials fraud, and disadvantaged business enterprise fraud. To proactively mitigate fraud risks, DOT must improve its oversight procedures and enhance outreach to staff, grantees, and their contractors on how to detect, prevent, and report potential fraud.

Alongside its considerable safety and stewardship challenges, DOT has also taken on the ambitious goal of transforming our transportation system to better serve Americans today and in the future. Key tasks include managing and modernizing our National

Airspace System as well as resolving new and longstanding cybersecurity challenges to protect vital information systems. In addition, DOT will need to act thoughtfully to mitigate safety risks while still enabling innovation and its potential benefits to safety and progress in numerous arenas—including autonomous and electric vehicles, commercial space operations, Advanced Air Mobility aircraft, and Unmanned Aircraft Systems.

Meeting the Department's diverse goals requires a fundamental commitment to organizational excellence. To that end, DOT faces multiple wide-ranging challenges, including managing an evolving post-pandemic work environment in which staff are increasing in-person work, and securing the necessary new workforce capabilities across the OAs to implement IIJA programs. Moreover, given the vast scope of its programs and authorities, DOT must cultivate data-driven approaches for its decision-making and oversight efforts to be effective in achieving the Department's goals. For example, in organizational management, a key challenge will be the use of data to track and measure the impact of personnel policies and procedures on employee engagement, mission delivery, and outcomes.

We remain, as always, committed to supporting the Department's efforts to improve safety, enhance efficiency, and maximize resource utilization, particularly given the extent of its IIJA investments. We appreciate the Department's consideration and prompt action in response to the challenges we have identified. Our final report and the Department's response will be included in DOT's Annual Financial Report, as required by law.

If you have any questions regarding this report, please contact me or Charles A. Ward, Principal Assistant Inspector General for Auditing and Evaluation.

#

cc: DOT Audit Liaison, M-1

Of the 24 key challenge areas identified by the Inspector General for FY 2024, DOT tasked the FAA with addressing the following five:

AVIATION SAFETY

- Enhance FAA's Oversight of Aircraft Certification and Production
- Diagnose Root Causes to Prevent and Mitigate Runway Incursions

AIR TRAFFIC CONTROL AND AIRSPACE MODERNIZATION

- Understand and Address the Causes of Flight Delays and Cancellations
- Recover From and Assess the Impact of Delayed and Diminished NextGen Programs on Agency Costs and Benefits for Airspace Users

TRANSPORTATION TRANSFORMATION

- Integrate New Technologies Into the National Airspace System

Enhance FAA's Oversight of Aircraft Certification and Production

The FAA remains committed to the thorough and complete implementation of the Aircraft Certification, Safety, and Accountability Act (ACSAA), through rulemaking, policy development, staffing studies, data sharing, and external partnership efforts. The FAA has completed more than 65 percent of the 103 provisions in ACSAA, and the remaining provisions generally include longer term activities such as rulemaking or policy development.

The FAA continues to drive greater transparency, collaboration, and accountability across the regulating and regulated communities, with a primary focus on:

- Strengthening corporate safety cultures to improve safety risk management and performance through mandated and voluntary action;
- Improving data availability, accessibility, and analysis through both process and infrastructure enhancements; and
- Advancing system-level safety management through better integration of the design, production, and operational approval processes.

The FAA provides comprehensive updates to Congress, unions, and industry stakeholders every quarter on our progress.

Diagnose Root Causes to Prevent and Mitigate Runway Incursions

The FAA continues to respond to and address the increase in runway incursions and other safety incidents that occurred from late 2022 into 2023. After issuing a Safety Call to Action in February 2023, the agency held the FAA Aviation Safety Summit in March, bringing together more than 200 safety leaders from across the aviation industry to discuss ways to enhance flight safety. Since the Safety Summit, the FAA's Air Traffic Organization has been identifying additional steps to ensure our safety system remains effective and resilient, including improved supervision, specialized and enhanced controller training, updated simulator software, and continued analysis of runway incursion data. We continue to pursue new technologies that will improve the situational awareness of controllers, holding a Surface Safety Industry Day in June 2023 to showcase commercial and readily available industry solutions and announcing in September 2023 $26 million in new investments such as airport surface surveillance systems and an expansion of our terminal automation system. We are also investing in airport infrastructure, awarding $121 million in grants to airports across the country to reconfigure taxiways and install new lighting systems. In addition to forming an independent Safety Review Team that will share its recommendations this coming year, the FAA continues to host runway safety meetings at more than 90 airports to address airport-specific risk in the surface environment. As a result of this additional outreach and reinforced messaging, the rate of most severe runway incursions is down 27 percent since the Safety Call to Action summit.

Understand and Address the Causes of Flight Delays and Cancellations

There are numerous potential causes of flight delays and cancellations, including weather, airline-controlled factors, and air traffic control related factors. Flight cancellations for FY 2023 are down 24 percent from the prior year. When compared to a three-year pre-COVID baseline (Fiscal Years 2017 to 2019), flight cancellations in 2023 are down 6 percent. The FAA has launched a multi-year effort to ensure adequate controller staffing at its most critical facilities and met its goal of hiring 1,500 air traffic controller specialists in FY 2023. For FY 2024, that hiring goal has been increased to 1,800. The FAA is introducing innovative training approaches for its new hires, starting with their entry classes at the FAA Academy and continuing until they become fully certified air traffic controllers.

Recover From and Assess the Impact of Delayed and Diminished NextGen Programs on Agency Costs and Benefits for Airspace Users

The FAA prioritized the sustainment of technology and programs to increase the resiliency of the national airspace system operations. Through the Next Generation Air Transportation System (NextGen) program, the FAA continues to implement advanced technologies to improve and modernize the national airspace system. Improvements include the deployment of the Terminal Flight Data Manager system, which began this year. The FAA continues to replace tactical and reactive air traffic control with strategic integrated air traffic management. The FAA is also deploying Performance Based Navigation and Controller Automation Tools that manage flight routes and procedures, leading to improved schedule adherence, reduced fuel consumption, and reduced engine exhaust emissions.

Integrate New Technologies Into the National Airspace System

The DOT continues to support innovation and transformation of transportation's future, focusing on the important challenge of safely integrating new technologies into transportation systems. As an example, the FAA has established a team to ensure a collaborative approach to the safe and efficient integration of Advanced Air Mobility aircraft into the national airspace. The team will contend with key areas of interest, such as aircraft certification, operational certification, airspace and air traffic management, vertiports, environment, security, community outreach, safety, and people. In the future, the FAA will lead commercial space development through responsible regulations that focus on achieving public safety results rather than mandating the specific processes or technologies used to achieve those results. The FAA, through Unmanned Aircraft Systems (UAS) test sites, continues to accelerate the integration of drones into the national airspace. Rigorous testing at these sites helps evaluate the capabilities of public and civil UAS, and their data supports the FAA's development of certification standards and air traffic requirements.

List of Acronyms and Abbreviations

AAE	The FAA Office of Audit and Evaluation
AAM	Advanced Air Mobility
AATF	Airport and Airway Trust Fund
ACR	The FAA Office of Civil Rights
ACSAA	Aircraft Certification, Safety, and Accountability Act (Public Law 116-260)
ADP	Aviation Development Program
AFN	The FAA Office of Finance and Management
AGA	Association of Government Accountants
AGC	The FAA Office of Chief Council
AGI	The FAA Office of Government and Industry Affairs
AHR	The FAA Office of Human Resource Management
AI	Artificial Intelligence
AIG	Airport Infrastructure Grant
AIP	Airport Improvement Program
AMS	Acquisition Management System
ANG	The FAA Office of NextGen
AOC	The FAA Office of Communications
APL	The FAA Office of Policy, International Affairs, and Environment
ARP	Office of Airports (FAA line of business)
ARPA	American Rescue Plan Act of 2021 (Public Law 117-2)
ARTCC	Air Route Traffic Control Center
ASCENT	Aviation Sustainability Center
ASDE-X	Airport Surface Detection Equipment, Model X
ASH	Office of Security and Hazardous Materials Safety (FAA line of business)
ASIAS	Aviation Safety Information Analysis and Sharing
ASSC	Airport Surface Surveillance Capability
AST	Office of Commercial Space Transportation (FAA line of business)
ASTM	American Society for Testing and Materials
ATC	Air Traffic Controller
ATCS	Air Traffic Controller Specialist
ATCT	Air Traffic Control Tower
ATO	Air Traffic Organization (FAA line of business)
ATP	Airport Terminal Program
AVS	Aviation Safety Organization (FAA line of business)
AVSED	Aviation and Space Education
BIL	Bipartisan Infrastructure Law; another name for the Infrastructure Investment and Jobs Act, 2022 (Public Law 117-58)
BVLOS	Beyond Visual Line-of-Sight Operations
CAASD	Center for Advanced Aviation System Development
CARES	Coronavirus Aid, Relief, and Economic Security Act (Public Law 116-136)
CAST	Commercial Aviation Safety Team
CEAR	Certificate of Excellence in Accountability Reporting
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CLEEN	Continuous Lower Energy, Emissions, and Noise Program

CRRSAA	Coronavirus Response and Relief Supplemental Appropriations Act (Public Law 116-260)
CSRS	Civil Service Retirement System
DEIA	Diversity, Equity, Inclusion, and Accessibility
Delphi	DOT's Financial Management System
DHS	U.S. Department of Homeland Security
DOD	U.S. Department of Defense
DOL	U.S. Department of Labor
DOT	U.S. Department of Transportation
DSD	Drone Safety Day
DST	Drone Safety Team
E&E	Environment and Energy
EAA	Experimental Aircraft Association
EIS	Entry into Service
EMAS	Engineered Material Arrestor System
ESC	Enterprise Services Center
F&E	Facilities and Equipment
FAA	Federal Aviation Administration
FAST	Fueling Aviation's Sustainable Transition program
FAASTeam	FAA Safety Team
FECA	Federal Employees' Compensation Act (Public Law 103-3)
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act of 1996
FFRDC	Federally Funded Research and Development Center
FMFIA	Federal Managers' Financial Integrity Act of 1982
Franchise Fund	Administrative Services Franchise Fund
FY	Fiscal Year
GA	General Aviation
GAAP	Generally Accepted Accounting Principles
GAJSC	General Aviation Joint Steering Committee
GAO	U.S. Government Accountability Office
GSA	General Services Administration
GSF	Gross Square Feet
HAZMAT	Hazardous Materials
ICAO	International Civil Aviation Organization
IG	Inspector General
IIJA	Infrastructure Investment and Jobs Act, 2022 (Public Law 117-58)
IP	Implementation Plan
IRS	Internal Revenue Service
ISO	International Organization for Standardization
IT	Information Technology
ITD	International Training Division
IWG	Interagency Working Group
JRC	Joint Resources Council
MITRE	The MITRE Corporation
MMAC	Mike Monroney Aeronautical Center
MSI	Minority Serving Institutions
NASA	National Aeronautics and Space Administration
NATCA	National Air Traffic Controllers Association
NextGen	Next Generation Air Transportation System
NPIAS	National Plan of Integrated Airports System
NPRM	Notice of Proposed Rulemaking

NTSB	National Transportation Safety Board
ODA	Organization Designation Authorization
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PAR	Performance and Accountability Report
Part 24	Uniform Relocation Assistance and Real Property Acquisition for Federal and Federally Assisted Programs
Part 121	Regularly Scheduled Air Carriers
Part 129	Foreign Air Carriers
Part 139	Airport Certification
Part 450	Launch and Reentry License Requirements
PASS	Professional Aviation Safety Specialists
PFAS	Per- and Polyfluoroalkyl Substances
PIIA	Payment Integrity Information Act of 2019
PP&E	Property, Plant, and Equipment
PRISM	Procurement Information System for Management (internet-based acquisition system integrated with Delphi)
PWD	Persons with Disabilities
PWTD	Persons with Targeted Disabilities
R&D	Research and Development
RE&D	Research, Engineering, and Development
RIM	Runway Incursion Mitigation
RSA	Runway Safety Area
RSC	Runway Safety Council
SAF	Sustainable Aviation Fuel
SAVES	Strategic Sourcing for the Acquisition of Various Equipment and Supplies
SFAR	Special Federal Aviation Regulation
SIR	Screening Information Request
SMS	Safety Management Systems
SpARC	Space Aerospace Rulemaking Committee
STEM	Science, Technology, Engineering, and Math
TC	Type Certificate
Technical Center	William J. Hughes Technical Center
TFDM	Terminal Flight Data Manager
The Act	The FAA Reauthorization Act of 2018 (Public Law 104-264)
TRACON	Terminal Radar Approach Control
UAM	Urban Air Mobility
UAS	Unmanned Aircraft Systems
URA	Uniform Relocation Act
USC	United States Code
USHST	The U.S. Helicopter Safety Team
UTM	Unmanned Traffic Management
WJHTC	William J. Hughes Technical Center

Washington Dulles International Airport.
FAA photo by Andrew Burns

We Welcome Your Comments

Thank you for your interest

in the FAA's FY 2023 Performance and Accountability Report.

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

PLEASE SEND YOUR COMMENTS TO:

Federal Aviation Administration
800 Independence Avenue, SW
Room 1040W
Washington, DC 20591

202-267-9105

par@faa.gov

This FY 2023 Performance and Accountability Report and its companion, the FY 2023 Summary of Performance and Financial Information, and prior year documents are available on the FAA website at:

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

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

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www.faa.gov/podcasts/the_air_up_there

Back Cover: Status lights on the runway.
FAA Photo

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