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The Federal Aviation Administration's Fiscal Year 2012 Budget Request: Key Issues Facing the Agency

**Statement of
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Madam Chairman and Members of the Subcommittee:

Thank you for inviting me to testify today on the Federal Aviation Administration's (FAA) fiscal year 2012 budget request. As you know, FAA faces significant challenges to control costs in a tight budget environment while ensuring a safe and modern National Airspace System (NAS). This past year, FAA has taken actions to address many significant safety issues, most notably with its recent airworthiness directive to inspect aging Boeing 737s in response to a recent in-flight hull breach. However, much work remains to meet other key goals, including improving pilot and air traffic controller training, effectively managing its multibillion-dollar capital investments for the Next Generation Air Transportation System (NextGen), and overseeing Federal airport grants.

My testimony today focuses on three major challenges FAA faces: (1) addressing ongoing safety concerns, (2) managing NextGen advancement while controlling costs, and (3) maximizing airport infrastructure funding to accommodate aviation growth.

In summary, FAA faces the formidable challenge of safely operating and maintaining an increasingly strained NAS system while developing the next generation of air traffic control—all within a severe budgetary environment. FAA will require resources to address safety issues related to pilot, controller, and inspector workforces and to make critical, long-delayed decisions about NextGen's overall design—decisions that will impact the program's long-term costs and benefits. At the same time, FAA requires better controls to instill accountability and better manage airport infrastructure contracts and grants. FAA's fiscal year 2012 budget request reflects the Agency's plans to improve its NextGen efforts, but it also reveals the difficulties FAA has had in controlling its costs and schedules. Effectively balancing Agency priorities now is essential to deliver a future system to travelers and airspace users that provides a return on taxpayers' investment, functions safely and efficiently, and adapts to growing capacity needs and industry changes for many years to come.

BACKGROUND

FAA's budget funds four accounts: operations; facilities and equipment (F&E); the Airport Improvement Program (AIP); and research, engineering, and development (RE&D).

- **Operations** funds most of FAA's day-to-day activities, including the Agency's safety oversight and air traffic control functions.
- **F&E** funds the Agency's NextGen initiatives and other modernization activities such as improving aging infrastructure, power systems, navigational aids, and weather systems.

- **AIP** funds grants to airports to pay for runway construction and other related projects.
- **RE&D** funds NextGen and other research areas such as fire research and safety, aging aircraft, and other activities.

FAA’s total fiscal year 2012 budget request of \$18.7 billion represents a 17 percent increase over this year’s appropriated amount and includes significant funding increases for infrastructure and modernization projects over its fiscal years 2010 and 2011 budgets (see table 1).

**Table 1. FAA Budget Fiscal Year 2010 through Fiscal Year 2012
(Dollars in Millions)**

Account	2010 Actual	2011 Enacted	2012 Request	Increase from 2011 to 2012
Operations	\$9,351	\$9,514	\$9,823	3%
F&E	2,928	2,731	3,120	14%
AIP	3,121	3,515	5,524	57%
RE&D	191	170	190	12%
Total	\$15,591	\$15,929^a	\$18,657	17%

Source: FAA’s Office of Budget

^aFigures may not add up due to rounding.

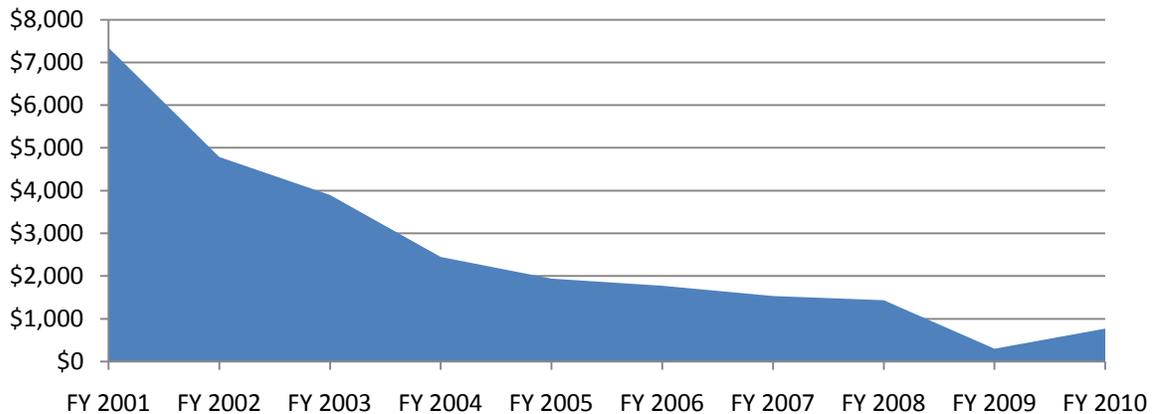
FAA proposes to shift the focus of its AIP account—which represents the largest requested increase—to smaller commercial and general aviation airports and eliminate guaranteed AIP funding for large and medium hub airports. The proposal would also increase the passenger facility charge (PFC) limit from \$4.50 to \$7.00 per enplanement for all eligible airports, giving large and medium hub airports greater flexibility to generate their own revenue.

Almost 37 percent of FAA’s F&E account request, which represents the second largest increase, is allocated for NextGen activities. Most of the increase in FAA’s Operations budget is to fund inflation adjustments and the National Air Traffic Controllers Association (NATCA) contract. Nearly 71 percent of the total requested amount for Operations is used to pay for the salaries and benefits of most FAA employees, including safety inspectors and air traffic controllers.

FAA is currently financed by two mechanisms: excise taxes deposited into the Airport and Airway Trust Fund and a General Fund contribution. While the General Fund has paid for about one-third of FAA’s total budget the past 2 years, in fiscal year 2012 the General Fund is expected to contribute \$8.2 billion, or 44 percent, towards the total budget. In addition, past differences between FAA’s budget, Trust Fund

revenues, and General Fund contribution were bridged by drawing down the Trust Fund’s uncommitted balance. These drawdowns have caused a 90-percent decline in the uncommitted balance, from \$7.3 billion at the end of fiscal year 2001 to \$770 million at the end of fiscal year 2010 (see figure 1).

Figure 1. Airport and Airway Trust Fund Uncommitted Balance Fiscal Year 2001 to Fiscal Year 2010 (Dollars in Millions)



Source: FAA

ADDRESSING ONGOING SAFETY CONCERNS

The United States has the world’s safest air transportation system; however, our current audit work and recent events, such as the near mid-air collision between an American Airlines flight and two Air Force planes near New York City, underscore the need for FAA to take additional actions to improve its safety oversight functions. Key safety issues that FAA needs to address include a significant increase in operational errors, controller staffing and training at air traffic control critical facilities, oversight of air carrier and repair stations, and pilot training and fatigue.

Causes of Increases in Air Traffic Controllers’ Operational Errors Are Not Fully Known

The number of operational errors by air traffic controllers increased by 53 percent between fiscal years 2009 and 2010—from 1,234 to 1,887. According to FAA, the rise in errors is primarily due to the introduction of voluntary, non-punitive safety reporting programs, such as its new Air Traffic Safety Action Program (ATSAP). ATSAP encourages controllers to voluntarily report operational errors in an effort to better capture the actual number of errors and identify and address their root causes. However, other factors may also contribute to the recent increases, including the large influx of new controllers in training and the implementation of the Traffic Analysis and Review Program (TARP), an automated system to identify when operational errors (or other losses of separation between aircraft) occur at terminal facilities.

The National Transportation Safety Board (NTSB) has raised concerns about the reliability of FAA's process for assessing and reporting incidents involving losses of separation and is currently reviewing reports of Traffic Collision and Avoidance Systems (TCAS) advisories.¹ Since NTSB issued its final rule requiring aircraft operators to report certain TCAS advisories in January 2010, the Board has received nearly 950 reports of these collision advisories and has initiated investigations into 9 of the more severe incidents.² These mid-air incidents raise further concerns about controller performance and how FAA classifies, reports, and mitigates losses of aircraft separation within these new reporting systems. At the request of Members of the Senate Committee on Commerce, Science, and Transportation, as well as the Ranking Member of the House Transportation and Infrastructure Subcommittee on Aviation, we will begin two audits to assess FAA's implementation and oversight of ATSEP and evaluate FAA's process for tracking and reporting near mid-air collisions and mitigating those risks.

Critical Facilities May Need More Certified Professional Controllers To Effectively Train New Controllers

FAA is taking action to hire and train nearly 11,000 new controllers through fiscal year 2020 to replace large numbers of retiring controllers hired after the 1981 strike. However, FAA must focus on staffing and controller skill levels at those facilities that are most critical to NAS operations. As of March 2011, 25 percent of FAA's controller workforce was in training—compared to 15 percent in 2004—meaning fewer certified controllers in the workforce to control air traffic and provide on-the-job training for new controllers. In addition, due to the attrition surge, FAA has had to assign newly hired controllers to complex air traffic control locations, such as Southern California, Atlanta, Chicago, and New York. Normally, new hires would start their on-the-job training at less complex facilities and eventually transfer to a higher level facility.

While FAA has ongoing actions or plans to improve controller training and placement, some of the most critical facilities now have a significant percentage of their workforce in training. For example, Denver Terminal Radar Approach Control has 43 percent of its workforce in training, and LaGuardia Air Traffic Control Tower has 39 percent. We are reviewing FAA's plans to provide its critical facilities with appropriate controller staffing, training resources, and other support necessary to ensure continuity of facility operations. We expect to report on our results later this year.

¹ An onboard TCAS issues advisories for pilots to take evasive actions when the system detects a potential collision with other aircraft.

² After review by NTSB, many of these reports were considered "nuisance alerts" (i.e., situations in which there was no collision risk but TCAS generated a resolution advisory). However, about 260 reports required additional data in order for NTSB to understand and evaluate the circumstances that caused the apparent conflict and to determine whether further action was warranted.

FAA Has Not Addressed Inspector Training and Staffing Issues That Would Enhance Its Risk Based Oversight

Since 2003, FAA has enhanced the Air Transportation Oversight System (ATOS), its risk-based oversight system for air carriers, by improving inspector guidance and completing key processes for analyzing inspection results. However, in December 2010, we identified additional improvements FAA needed to make to strengthen ATOS, such as requiring that inspectors' risk assessments include analyses of all available data sources—such as voluntary self-disclosure data—and changes that occurred in the airline industry, such as mergers and acquisitions. We also reported that ATOS implementation at smaller air carriers was hindered due to inspectors' frustrations with adapting ATOS principles to their operations, staffing limitations, and insufficient data to support ATOS's data-driven approach. A contributing factor may be that inspectors experienced gaps of 3 years or longer between when they received systems safety training and when they actually used the system. FAA is currently addressing our recommendations to ensure inspectors receive timely training and use all available data sources for more accurate and relevant air carrier risk assessments.

Another concern has been FAA's inadequate oversight of aircraft repair stations, a weakness we reported on in 2003. While FAA strengthened its procedures for monitoring inspections of foreign repair stations that are conducted by aviation authorities on its behalf and implemented a risk-based system in 2007 to target repair stations with increased risk, concerns remain. As a result, Congress directed us to assess FAA's oversight system for foreign and domestic repair stations. We began our review in January of this year.

FAA must also ensure it targets limited resources to areas of greatest risk by placing its approximately 4,300 inspectors where they are most needed to effectively oversee a dynamic aviation industry. In a 2006 study directed by Congress, the National Research Council concluded that FAA's methodology for allocating inspector resources was not effective and recommended that FAA develop a new approach. In response, FAA completed a new staffing model in October 2009. After completing the model, FAA tested it using actual staffing data to determine whether it was ready for full deployment. FAA used the model to assist in developing its fiscal year 2012 budget request for an additional \$11.9 million to support an increase of up to 106 inspectors. However, FAA is still refining the model to make it more reliable. As directed by Congress, we are evaluating FAA inspector staffing and the new staffing model.

FAA and Industry Have Not Fully Addressed Pilot Training and Fatigue

Pilot training and fatigue continue to present challenges to FAA. The February 2009 fatal crash of Colgan Air flight 3407 underscores the importance of addressing these long-standing safety concerns. In January 2009, FAA issued a Notice of Proposed

Rulemaking (NPRM) to revise crew training requirements by requiring more realistic training scenarios with a complete flight crew, using flight simulator devices, and working with new special hazard practices for pilots and crew members. Because of the extensive industry comments on this proposed rule, FAA plans to submit a Supplemental Notice of Proposed Rulemaking (SNPRM) to address the concerns. However, as of April 2011, the SNPRM had not been issued. While the proposed rule could significantly enhance pilot training programs, FAA still faces challenges tracking pilots with poor performance and training deficiencies and overseeing air carrier programs aimed at improving pilot skills.

FAA has also taken steps to address pilot fatigue issues, as required by the Airline Safety and FAA Extension Act of 2010.³ In September 2010, FAA published an NPRM to institute new flight, duty, and rest requirements for pilots based on factors such as time of day flown and sleep consideration rather than type of flight operation. Issuing the NPRM was an important step towards changing outdated regulations. However, FAA has already received more than 2,500 comments from industry, most of which oppose the NPRM. Given industry's historical opposition to revamping rest rules, it will be a substantial challenge for FAA to finalize the rule by the congressionally mandated deadline of August 2011. Further, the NPRM would not require carriers to track pilots with lengthy commutes, a factor that can contribute to pilot fatigue. FAA officials stated that enforcing this requirement would be difficult and not necessarily result in responsible commuting. FAA instead issued draft advisory guidance on pilots' and carriers' responsibility to ensure proper rest before flying. However, without FAA and industry efforts to collect and analyze data on pilot commuting, the current proposed actions to mitigate fatigue in aviation may not fully address this critical safety issue.

MANAGING NEXTGEN'S ADVANCEMENT WHILE CONTROLLING COSTS

FAA is developing NextGen, a satellite-based air traffic control system intended to replace the current ground-based system, to better manage air traffic and meet future air travel demands. However, FAA faces several management challenges in implementing key NextGen programs in an efficient and cost-effective manner. These include mitigating ongoing cost increases and schedule delays with FAA's ERAM program that will impact several NextGen programs and capabilities, better managing contracts and its acquisition workforce to protect the taxpayers' interest, and keeping its operating costs from crowding out capital investments in NextGen.

³ Airline Safety and Federal Aviation Administration Extension Act of 2010 Pub. L. No. 111-216, Section 212 (August 2010).

Uncertain Design Decisions Put NextGen's Cost and Schedule Targets at Risk

FAA is making progress on near and mid-term NextGen efforts in response to recommendations from a government-industry task force but must address long-term cost, schedule, and performance issues.⁴ In response to one of the task force's most critical recommendations, FAA launched its "metroplex initiative"—a 7-year effort aimed at improving airspace efficiency to reduce delays at 21 congested airports in major metropolitan areas. While FAA has completed studies at two prototype sites and plans to study five more sites this year, many unresolved issues could delay the effort and ultimately increase costs. For example, FAA has not established detailed milestones to complete initiatives at high-activity locations or a mechanism for integrating its metroplex initiative with other related task force recommendations, such as better managing airport surface operations. Further, FAA needs to resolve concerns that airline and air traffic facility officials have expressed about FAA's execution thus far, such as the slow pace of the effort and a lack of clearly defined benefits to airspace users.

Realizing these benefits, however, depends on the timely deployment of new flight procedures. As we noted in our December 2010 report,⁵ FAA's flight procedures are mostly overlays of existing routes, which do not provide shorter flight paths to alleviate congestion. Because FAA has mainly focused on developing a targeted number of procedures each year—not on measuring user benefits—airlines have not widely used the new procedures. At the same time, FAA faces several organizational, policy, logistical, and training challenges that could impede NextGen implementation in the midterm, including working across diverse agency lines of business.

FAA's most recent NextGen Implementation Plan provides a framework for what NextGen will resemble in the 2015 to 2018 timeframe and broadly outlines the linkages between FAA and stakeholder investments. While the plan is responsive to the task force, it does not outline NextGen capabilities, timing, and costs, which FAA committed to in previous plans and budget requests to Congress. For example, the plan does not discuss how delays in critical design decisions will affect NextGen performance. Delayed decisions include (1) division of responsibility delegated to pilots in the cockpit and to controllers and FAA ground systems for tracking aircraft; (2) level of automation needed to support division of responsibility, ranging from today's largely manual flight management to a primarily automated system with little controller involvement; and (3) the number and locations of air traffic facilities needed to support NextGen.

⁴ NextGen Mid-Term Implementation Task Force Report, September 9, 2009.

⁵ OIG Report Number AV-2011-025, "FAA Needs To Implement More Efficient Performance-Based Navigation Procedures and Clarify the Role of Third Parties," December 10, 2010.

Unresolved Technical Problems with ERAM Have Resulted in Delays and Cost Increases

Numerous technical problems with ERAM—the primary tool that will process en route flight data—have pushed schedules well beyond original completion dates and increased cost estimates by hundreds of millions of dollars. FAA planned to complete deployment of ERAM to 20 en route facilities by the end of 2010 at a cost of \$2.1 billion. However, ERAM testing at initial operating sites revealed more than 200 software-related problems, such as radar processing failures, errors that tag flight data to the wrong aircraft, and hand-off problems between controllers. As a result of these problems at the initial sites, FAA postponed its plans to continue deployment of ERAM at additional sites—originally scheduled for December 2009.

FAA is requesting \$120 million for ERAM in its fiscal year 2012 budget request and now plans to complete ERAM in 2014—a schedule slip of 4 years. However, FAA and its contractor plan to add new capabilities while attempting to resolve problems identified in earlier software versions, which could cause further schedule delays. New software releases have already exhibited problems, including a significant software failure that caused one site to revert back to using the legacy operating system for several weeks.

While FAA estimates that delays with ERAM will translate into an additional \$330 million to complete deployment, our work and a recent MITRE analysis suggest the total cost growth could be as much as \$500 million.⁶ Cost escalations of this magnitude will affect FAA's F&E budget and crowd other projects. Further, FAA will incur additional costs to sustain aging equipment longer than planned and retrain controllers on both the legacy and ERAM systems. The MITRE analysis cautions that implementing ERAM at more complex sites, like Chicago and New York, may require additional time and resources. Continued problems with ERAM will also affect both the cost and pace of FAA's other key NextGen efforts—some of which have already been allocated more than \$500 million to integrate and align with ERAM. ERAM delays will also affect FAA's ability to develop trajectory-based operations⁷ and transition to a common automation platform for terminal and en route operations.

⁶ MITRE Corporation and Massachusetts Institute of Technology/Lincoln Laboratory Report, Independent Assessment of the ERAM Program, October 15, 2010.

⁷ Trajectory-based operations focus on more precisely managing aircraft from departure to arrival with the benefits of reduced fuel consumption, lower operating costs, and reduced emissions.

FAA Lacks an Integrated Master Schedule To Mitigate Risks In NextGen's Transformational Programs

FAA has not approved total program cost, schedule, or performance baselines for any of NextGen's transformational programs⁸ and faces significant risks and challenges to successfully implementing them. FAA's fiscal year 2012 budget request includes \$590 million for the six programs, and the Agency plans to spend more than \$2 billion on them between 2012 and 2016. Three transformational programs that are critical to achieving streamlined and more efficient data sharing for airspace users face uncertainty with respect to what they will ultimately cost, when they will be completed, and what they will deliver.

- **Automatic Dependent Surveillance-Broadcast (ADS-B)** (\$285 million requested for fiscal year 2012) is a satellite-based surveillance technology that combines the use of aircraft avionics and ground-based systems. FAA is planning to implement ADS-B in four segments but has only approved \$1.7 billion for the initial 2 segments to deploy the system's ground infrastructure. FAA has deployed 275 of the planned 800 radio ground stations and also published a final rule mandating that airspace users equip ADS-B avionics by 2020. As we noted in our October report,⁹ realizing the full range of ADS-B benefits will depend on (1) finalizing requirements for capabilities to display traffic information in the cockpit, (2) modifying the systems controllers rely on to manage traffic, (3) addressing broadcast frequency congestion concerns, (4) implementing procedures for separating aircraft, and (5) assessing security vulnerabilities. These risks, if not successfully mitigated, could lead to cost, schedule, and performance shortfalls.
- **System Wide Information Management (SWIM)** (\$66 million requested for fiscal year 2012) is expected to form the basis for a secure network that manages and shares information more efficiently among all air traffic systems that will comprise NextGen. Key benefits expected from SWIM are streamlined data communications and real-time information that will improve air traffic management, enhance airspace capacity, reduce flight delays, and decrease costs for FAA and aviation users. FAA is planning to implement SWIM in three segments but has only approved funding for the first segment at an estimated cost of \$284 million. FAA has already increased costs for the first segment by more than \$100 million and delayed its completion by at least 2 years. Further, FAA has not established clear lines of accountability for overseeing how SWIM is developed and managed. Without a consistent vision of SWIM's requirements

⁸ FAA's transformational programs, defined as programs directly related to the delivery of NextGen capabilities, will fundamentally change NAS by enhancing communications, improving the tracking of aircraft, and revamping overall air traffic management.

⁹ OIG Report Number: AV-2011-002, "FAA Faces Significant Risks in Implementing Automatic Dependent Surveillance-Broadcast Program and Realizing Benefits," October 12, 2010.

and clearly defined program priorities, the true cost and timeline to deploy SWIM and the realization of expected benefits are unknown. We have transmitted recommendations to FAA for improving SWIM and expect to issue our final report this spring.

- **Data Communications (DataComm)** (\$150 million requested for fiscal year 2012) will provide two-way data communication between controllers and pilots that is analogous to wireless e-mail. FAA plans to implement DataComm in at least two segments, and a final investment decision is not expected until fiscal year 2012. Total program costs are uncertain but estimated to be almost \$3 billion. Developing and implementing DataComm is a complex, high-risk effort, and industry officials have expressed skepticism about FAA's ability to deliver on such a program because the Agency abandoned a data link effort in the past due to cost concerns. The successful implementation of DataComm faces the challenges of integrating with FAA automation systems and overcoming users' reluctance to equip.

FAA's approach of baselining smaller segments of larger programs may reduce some risks in the short-term, but as requirements continue to evolve, programs are left with no clear end-state and decision makers lack sufficient information to assess progress. Moreover, delays with one program can significantly slow another, since the programs have complex interdependencies and integration issues with FAA's existing automation and communications systems. While FAA recognizes the need for an integrated master schedule to manage the implementation of these NextGen capabilities, it has yet to develop one. Without a master schedule, FAA will continue to be challenged to fully address operational, technical, and programmatic risks and prioritize and make informed trade-offs among the programs.

Contract Oversight and Administration Problems Contribute to Cost Overruns With FAA Acquisitions

Our work on large FAA acquisition programs and high-risk procurements has repeatedly identified weaknesses in the Agency's contract administration. For example, FAA awarded an \$859 million contract for training air traffic controllers¹⁰ without correctly assessing how many controllers needed training or addressing the risk that the contractor's proposed instructor hours were too low. These weaknesses contributed to a \$46 million cost overrun for the first 2 years of the contract.

Our ongoing work has similarly found weaknesses in FAA's cost and price analysis processes for noncompetitive contracts. In fiscal year 2009, FAA obligated over \$541 million for more than 16,500 noncompetitive contract actions. These contracts have a high risk of overpayment because the contractor is assured to receive the

¹⁰ OIG Report Number AV-2010-126, "FAA's Air Traffic Controller Optimum Training Solution Contract: Sound Contract Management Practices are Needed to Achieve Program Outcomes," September 30, 2010.

award. However, for 8 of the 25 contracts we reviewed, FAA did not perform effective cost and price analyses and was unable to demonstrate that prices paid were reasonable. We expect to issue our final report later this month.

Another ongoing audit has identified concerns with FAA's Systems Engineering 2020 (SE-2020) contracts to augment FAA staff and support NextGen implementation. The contracts have a cumulative maximum value greater than \$7 billion—the largest award in FAA history. To date, our assessment of FAA's contract award processes, oversight mechanisms, and performance-based methods found that they may not be adequate to achieve intended outcomes. We plan to issue our report later this year.

At the same time, FAA faces challenges in maintaining an acquisition workforce with the skills needed to oversee its NextGen contracts. Currently, 20 percent of FAA's experienced acquisition workforce is eligible to retire, with a cumulative retirement eligibility of 40 percent by fiscal year 2015. FAA's Acquisition Workforce Plan outlines the acquisition competencies needed, establishes hiring strategies, and describes new certification and training programs.¹¹ However, the plan excludes Federal and contractor acquisition employees working on FAA's support services contracts and technical officer representatives responsible for overseeing contracts vital to NextGen, such as ERAM. Further, FAA fell short of its planned hiring targets and hired less than 40 percent of the engineers needed to support acquisition programs. FAA's primary staffing needs are for engineers, which are critical to implementing NextGen programs. However, FAA could not accurately determine whether it hired enough engineers or program managers for NextGen because FAA's hiring data were either inaccurate or missing. FAA's tracking systems are also ineffective in monitoring the training and certification of its acquisition workforce. We expect to issue our final report on FAA's acquisition workforce this summer.

Increasing Operating Costs Risk Crowding Out NextGen Capital Investments

FAA estimates that the 2009 collective bargaining agreement with NATCA will cost the Agency \$669 million more than it would have cost to extend the work rules established in 2006 for 3 more years. In the past, our audit work found that uncontained increases in operating costs have crowded capital investments.

Several factors in the agreement may further increase FAA's costs:

- Most estimated costs are for increased salaries and benefits for controllers, but these will depend on the rate at which veteran controllers retire and are replaced by new controllers with lower salaries and benefits.

¹¹ FAA issued its workforce plan in 2009 and updated the plan in 2010, projecting its acquisition workforce needs through fiscal year 2014.

- Negotiated memorandums of understanding (MOU) may incur additional costs. FAA has had problems with managing its MOUs in the past. For example, in 2003 we identified negotiated MOUs that resulted in millions of dollars in cost overruns.¹² As a result of our review, FAA established controls that it believes will prevent additional costs with MOUs in the agreement. However, some local air traffic managers and regional managers are not strictly complying with these controls. FAA must consider these issues as well as its budgetary constraints when negotiating its next collective bargaining agreement.

MAXIMIZING AIRPORT INFRASTRUCTURE FUNDING TO ACCOMMODATE AVIATION GROWTH

FAA projects that passenger traffic will grow by 3.7 percent annually each of the next 5 years, and that by 2021 there will be 1 billion passengers. Ensuring enough capacity at the Nation’s airports is essential to meeting this demand, reducing delays, and realizing the full benefits of NextGen. This includes keeping key runways that are planned or under construction on schedule and improving oversight of airport grant programs to ensure funds are appropriately spent.

Funding, Legal, and Other Concerns Could Undermine Efforts To Keep Runway Projects on Track

FAA has made progress in overseeing opening and improving runways at our Nation’s airports; however, with capacity-enhancing airspace changes being developed, FAA must ensure that current runway projects remain on schedule. Since the start of fiscal year 2000, 17 new runways have been built,¹³ 4 runways were reconfigured, 2 runways were extended, and 3 taxiways have opened.

FAA is pursuing several airspace redesign projects nationwide—including major efforts to revamp airspace in the Atlanta, New York-New Jersey-Philadelphia, and Chicago areas—that require a sufficient amount of runways to accommodate additional traffic. Several runway projects either under construction or planned at key airports will accommodate future air traffic growth and coincide with airspace redesign efforts (see table 2). However, FAA and local airport authorities face challenges that could impede the progress of these projects, including funding issues, extensive environmental reviews, coordination among numerous stakeholders, and legal issues. As these projects move forward, FAA should continue its efforts to ensure that these projects are completed on time and within budget.

¹² OIG Report Number AV-2003-059, “FAA’s Management of and Control Over Memorandums of Understanding,” September 12, 2003. OIG reports are available on our Web site: www.oig.dot.gov.

¹³ These projects included new runways at Boston, Chicago O’Hare, Atlanta, and Washington Dulles airports.

Table 2. Status of Major New Runway Projects

Airport	Phase	Estimated Completion Date	Total Cost Estimate (in millions)
Atlanta (Runway 9L/27R)	Site Prep	2012	\$46
Chicago O'Hare (Runway 10C/28C)	Construction	Dec 2013	\$1,265
Chicago O'Hare (Runway 9R/27L ^a)	On Hold ^b	Oct 2015	\$357
Chicago O'Hare (Runway 9C/27C)	On Hold ^b	Oct 2015	\$1,470
Chicago O'Hare (Runway 10R/28L)	Site Prep	Jan 2015	\$578
Fort Lauderdale (Runway 9R/27L ^a)	Design	Jun 2014	\$720
Philadelphia (Runway 9R/27L, 8/26 ^a , 9R/27L ^a)	Record of Decision Dec 2010	TBD	\$5,200

Source: OIG analysis of FAA's quarterly report "Runway Projects at Core Airports Under Construction" for October–December 2010 (published February 1, 2011).

^a Extension of existing runway.

^b Due to lack of funding, completion dates for these projects could be extended up to 5 years.

FAA's AIP Program Is Vulnerable to Improper Payments

Our continuing work on FAA's \$1.1 billion ARRA-funded airport grants indicates that FAA has primarily focused its oversight on the construction status of projects, not on ensuring grantees comply with FAA and Office of Management and Budget financial oversight requirements. While FAA commissioned a review of ARRA payments, its consultants determined in September 2010 that 14 of 24 airports did not have adequate support to justify their ARRA payment requests. This is consistent with findings we reported in December 2010 on FAA's oversight of non-ARRA-funded AIP grants.¹⁴

In our December report, we identified \$13 million in improper payments made to AIP grantees; \$7 million of that amount was due to documentation problems, and \$6 million could have been recovered by FAA. The \$6 million of recoverable funds included grantees receiving payments for ineligible services or paying ineligible recipients and FAA making incorrect and duplicate payments. For example, during fiscal years 2007 and 2008, the County of Sacramento billed FAA and was reimbursed a total of \$675,000—the full amount of construction invoices received—but FAA reimbursed the County before the County had actually paid its construction contractor. Subsequently, FAA agreed that these AIP payments were improper.

¹⁴ OIG Report Number FI-2011-023, "Improper Payments Identified in FAA's Airport Improvement Program," December 1, 2010.

Both our prior and ongoing AIP and ARRA work have identified several potential weaknesses in FAA's financial oversight that make its grant funds vulnerable to improper payments. First, FAA relies on grantees to self-certify that they adhere to their grant agreements and to maintain documentation validating payment requests. Second, FAA does not review grantee payment requests beyond summary documentation, which does not include actual contractor invoices. Third, grantees approve change orders for contract work without required cost or price analyses—and without FAA approval. Finally, FAA employees often cited staff and resource limitations as impediments to more rigorous oversight.

CONCLUSION

FAA's fiscal year 2012 budget proposal comes at a time when FAA must prepare for the increasingly complex demands of the air system of the future—while continuing to improve safety for the public today. Whether the particular issue at hand is operational errors by air traffic controllers, technical problems affecting NextGen's advancement, or grant oversight of airport infrastructure projects, FAA needs sound strategies for identifying trends that may be impeding its safety, modernization, and financial goals. Effective data, analyses, and oversight will prove critical for FAA to ensure taxpayer dollars are used wisely to maintain a safe, modern, and efficient American airspace.

Madam Chairman, this concludes my statement. I would be happy to address any questions that you or other Members of the Subcommittee may have.