

TRANSPORTATION ADMINISTRATIVE SERVICE CENTER
Statement of Financial Position
As of September 30, 2001
(Dollars in Thousands)

ASSETS

Cash	\$	(15,709)
Accounts Receivable		50,413
Advances and Prepayments		137
Inventory		27,526
 Fixed Assets:		
Equipment-Personal Property	\$ 34,298	
Less: Accumulated Depreciation	(23,382)	10,916
 Automated Data Processing Software		
	3,310	
Less: Accumulated Depreciation	(3,015)	295
 Leasehold Improvements		
	787	
Less: Accumulated Depreciation	(778)	9
 Capital Leases		
	931	
Less: Accumulated Depreciation	(931)	0
TOTAL ASSETS	\$	73,587

LIABILITIES

Accounts Payable:		
Government Agencies	\$	4,325
Commercial Vendors		(5,740)
 Accrued Liabilities:		
Advances from Others		640
Advances from Others - WCF Operations		12,018
Other Accrued Liabilities – Unclassified		32,135
Salaries and Wages		2,921
Annual Leave		918
 Actuarial Liabilities (Unfunded)		
		508
TOTAL LIABILITIES	\$	47,725

CAPITAL

TOTAL EQUITY	\$	25,862
TOTAL LIABILITIES AND CAPITAL	\$	73,587

TRANSPORTATION ADMINISTRATIVE SERVICE CENTER
Statement of Equity
As of September 30, 2001
(Dollars in Thousands)

EQUITY INVESTED	\$	5,949
EQUITY AVAILABLE FOR REINVESTMENT		14,065
CUMULATIVE RESULTS FROM OPERATIONS		6,356
FUTURE FUNDING REQUIREMENTS		<u>(508)</u>
TOTAL EQUITY	\$	25,862

TRANSPORTATION ADMINISTRATIVE SERVICE CENTER
Statement of Revenue and Expenses
As of September 30, 2001
(Dollars in Thousands)

REVENUE

OST	\$	9,139
USCG		17,769
FAA		22,143
FRA		2,987
NHTSA		7,042
FTA		2,872
SLSDC		175
RSPA		2,599
MARAD		2,505
OIG		1,656
FHWA		6,114
BTS		1,434
FMCSA		1,278
STB		75
Others (Non-DOT Customers)		<u>187,529</u>

TOTAL REVENUE	\$	265,317
----------------------	-----------	----------------

LESS - ACTUAL EXPENSES

Personnel Compensation	\$	18,756
Personnel Benefits		2,610
Benefits for Former Personnel		1,140
Travel & Transportation of Personnel		1,926
Transportation of Things		376
Rent, Communication and Utilities		15,938
Printing and Reproduction		6
Other Contractual Services		212,470
Supplies and Materials		2,112
Depreciation Expense		1,867
Non Capitalized Equipment		3,627
Insurance Claims		7
Interest and Penalties		<u>340</u>

TOTAL EXPENSES	\$	261,175
-----------------------	-----------	----------------

FY 2001 NET RESULTS FROM OPERATIONS	4,142
--	--------------

FY 2001 PRIOR PERIOD ADJUSTMENTS	5,471
---	--------------

FY 2000 CUMULATIVE RESULTS	(3,257)
-----------------------------------	----------------

CUMULATIVE RESULTS FROM OPERATIONS	\$	6,356
---	-----------	--------------

**FEDERAL AVIATION ADMINISTRATION
Administrative Services Franchise Fund
September 30, 2001**

Background/Fund Establishment

The Government Management Reform Act (GMRA) of 1994, Public Law 103-356, provided for the establishment of a franchise fund pilot program. This program is designed to create competition within the public sector in the performance of a wide variety of support services. The franchise allows for the establishment of an environment to maximize the use of internal resources through the consolidation and joint-use of like functions and the recognition of economies of scale and efficiencies associated with the competitive offering of services to other Government agencies.

Six franchise fund pilot programs were created by GMRA; and the pilots were selected by the President's Chief Financial Officers' (CFO) Council for participation in the program prior to submission of the FAA Franchise Fund proposal. However, the CFO Council's Franchise Fund Working Group strongly endorsed the FAA proposal, and recommended submission to Congress as a franchise-like operation. This endorsement resulted in Congressional approval of the application, and the FAA Administrative Services Franchise Fund was authorized under Public Law 104-205, Department of Transportation and Related Agencies Appropriation Act, 1997.

Services

The Administrative Services Franchise Fund offers a wide variety of services. These include accounting, payroll, travel, duplicating, multi-media, information technology, and international and management training. In FY 2001, the fund was expanded to include logistics functions at the FAA Logistics Center and aircraft maintenance functions in the Office of Aviation System Standards. The customer base includes DOT and non-DOT government agencies.

Benefits/Accomplishments

The objective of the franchise is to enhance the support provided to the core programmatic mission functions within FAA. Benefits from the franchise environment occur incrementally over time through efficiencies and economies of scale associated with development of partnerships, consolidation of like functions, and expansion of volume. Efforts in the franchise are directed toward identifying the most efficient and cost effective methods to provide support services, and this is consistent with current Presidents' initiatives relating to competitive sources.

The franchise has been a catalyst for management initiatives relating to improved business practices that have resulted in the following general impacts/benefits:

- Reduced unit cost of services/products by spreading fixed cost across increased volumes.
- Increased emphasis on cost accounting and labor distribution by franchise organizations.
- Increased emphasis on development and tracking of cost and performance measures.
- Improved business practices and a more business-like orientation.

- Increased focus on customer satisfaction and customer-driven decisions.
- Improved analysis relating to the mix of in-house versus contract support; currently over 60 percent of the total franchise budget can be identified as paid to private sector sources.
- Ability to grow new capital over time to enhance and refresh technology and systems through use of the revolving fund environment.
- Generated retained earnings for capital improvements that enhance services and reduce their cost.
- Increased emphasis on the cost of providing services/products and on the full recovery of costs.
- Ability to level the budget from one fiscal year to another and to accommodate delays in the appropriation process through use of flexibilities associated with the revolving fund environment.
- The carryover provision of the revolving fund allows a “buy on demand/need” ability versus forced buying to avoid expiration of funding authority.

Specific accomplishments associated with a few of the individual franchise activities include:

- Implemented a process in the FAA Logistics Center to allocate budgets to field offices and charge against these allocations when products are ordered. This has resulted in improved buyer behavior patterns and a reduction in demand as customers order according to need.
- Improvements in many key cost and performance measures in the FAA Logistics Center as a result of the franchise initiative including:
 - Customer satisfaction has maintained a high level during time of considerable organizational change (up from 3.93 in 1997 to a current level of 4.02 on a scale of 5).
 - Customer delivery time on shipments within 24 hours up from 86.92% in FY 2000 to 91.14% in FY 2001.
 - Warehouse refusals decreased from 7.3 per thousand in FY 1999 to 2.1 per thousand in FY 2001.
 - Reduced average cost recovery (mark-up rate for parts and repairs) by 7.41% in FY 2001.
 - Reduced the distribution cost per issue from \$51.77 in FY 1999 to \$41.52 in FY 2001.
 - Improved inventory accuracy from 96.65% in FY 1999 to 99.9 % in FY 2001.
 - Reduced shipping errors per 1,000 issued by 4.9% in one year.
- Reduced in-house cost per printing impression by 8% by spreading fixed cost across a greater workload volume. Maintained this reduction for 2 years resulting in a cost savings to customers of \$128,678.
- Used the carryover provision of the revolving fund to invest in up-to-date printing technology resulting in a wider range of available products and services, greater level of productivity, and competitive costs.

Additional Supplemental Information

- Optimized efficiency in delivery of domestic training courses by filling unused quota with tuition-paying international students, and by reimbursing the FAA Academy for contract and government employees used during off-peak periods to instruct international training courses.
- Enhanced the FAA's financial systems and statement posture through extensive support actions relating to asset and inventory management processes in the franchise environment.
- Increased support to DOT and FAA strategic goals in global aviation system leadership (e.g., Safe Skies) without an increase in appropriated funds through advancement of the international training program.

Deferred Maintenance:

<u>DOT Entity</u>	<u>Major Class of Asset</u>	<u>Method of Measurement</u>	<u>Asset Condition*</u>	<u>Cost to Return to Acceptable Condition**</u>
FAA	Buildings	Condition Assessment Survey	4 & 5	\$ 50,568
	Other Structures and Facilities	Condition Assessment Survey	4 & 5	22,928
MARAD	Vessels, Ready Reserve Force	Condition Assessment Survey	3	30,000
	Real Property, Anchorage	Condition Assessment Survey	4	4,085
	Real Property, Buildings	Condition Assessment Survey	4	8,498
USCG	Aircraft	Condition Assessment Survey	Variable	34,518
	Vessels	Condition Assessment Survey	Variable	25,839
	Shore Facilities	Condition Assessment Survey	Variable	377,196
	Electronics Systems	Condition Assessment Survey	Variable	<u>15,231</u>
			Total	<u>\$ 568,863</u>

***Asset Condition Rating Scale:**

- 1 - Excellent
- 2 - Good
- 3 - Fair
- 4 - Poor
- 5 - Very Poor

Additional Supplemental Information

****Acceptable Condition is:**

FAA Buildings	3 - Fair
FAA Other Structures and Facilities	3 - Fair
MARAD Vessels, Ready Reserve Force	1 - Excellent - Ships are seaworthy and ready for mission assignments within prescribed time limits.
MARAD Real Property, Anchorage	3 - Fair - Adequate water depth, shore power, and mooring capabilities.
MARAD Real Property, Buildings	3 - Fair - Buildings are safe and inhabitable.
USCG Aircraft	1 - Excellent
USCG Vessels	1 - Excellent
USCG Shore Facilities	1 - Excellent
USCG Electronic Systems	1 - Excellent

Deferred Maintenance is maintenance that was not performed when it should have been or was scheduled to be performed and delayed until a future period. Maintenance is keeping fixed assets in acceptable condition, and includes preventative maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve assets in a condition to provide acceptable service and to achieve expected useful lives.

The Coast Guard continues to use the same methodology which was developed for the FY 2000 report. This includes: 1) the evaluation of the value of planned vessel, aircraft, or electronic systems overhauls and depot-level projects, which were held awaiting funding at fiscal year end; 2) the value of inventory reorders called for by logistics stocking algorithms, which were held awaiting funding at fiscal year end; and 3) the value of broken (repairable) inventory items needing repair which were held awaiting funding at fiscal year end.

Intragovernmental Balances by Trading Partner:

Intragovernmental Assets by Trading Partner:

<u>Agency</u>	<u>Fund Balance</u> <u>with Treasury</u>	<u>Accounts</u> <u>Receivable</u>	<u>Investments</u>	<u>Other</u> <u>Assets</u>
Department of the Treasury	\$ 26,107,269	\$ 336,953	\$ 39,198,357	\$ 56,603
Department of Defense	-	255,708	-	63,955
U.S. Capitol Police	-	1,516	-	-
Natl. Aero. and Space Admin.	-	2,645	-	-
Department of State	-	5,209	-	-
General Services Administration	-	4,547	-	1,400
Department of Energy	-	942	-	-
Department of Commerce	-	585	-	-
Department of Interior	-	4,066	-	-
Department of Justice	-	3,795	-	-
Securities and Exchange Comm	-	1,106	-	-
Environmental Protection Agency	-	602	-	-
Fed. Emergency Mgmt. Admin.	-	423	-	-
Department of Agriculture	-	245	-	-
Department of Labor	-	22	-	-
Government Printing Office	-	126	-	-
US Trade & Develop. Agency	-	104	-	-
Other Miscellaneous Agencies	<u>-</u>	<u>69,627</u>	<u>-</u>	<u>25,461</u>
 Total	 <u>\$ 26,107,269</u>	 <u>\$ 688,221</u>	 <u>\$ 39,198,357</u>	 <u>\$ 147,419</u>
 Total Intragovernmental Assets	 <u>\$ 66,141,266</u>			

Additional Supplemental Information

Intragovernmental Liabilities by Trading Partner:

<u>Agency</u>	<u>Accounts Payable</u>	<u>Debt</u>	<u>Other Liabilities</u>
Department of the Treasury	\$ 17,608	\$ 897,885	\$ 250,062
Department of Interior	-	-	201
Department of Defense	73,699	-	318,067
Department of Labor	-	-	220,958
Department of Agriculture	-	-	139,448
Office of Personnel Management	4	-	43,420
General Services Administration	302	-	(288)
Federal Financing Bank	-	3,408	-
Environmental Protection Agency	-	-	1,020
U.S. Capitol Police	-	-	1,573
Department of Commerce	-	-	1,241
Department of State	-	-	197
U.S. Postal Service	-	-	155
Central Intelligence Agency	-	-	125
Social Security Administration	-	-	10,021
Natl. Aero. and Space Admin.	-	-	7,332
Dept of Health and Human Services	-	-	108
Department of Energy	-	-	79
Department of Justice	-	-	3,463
Other Miscellaneous Agencies	<u>87,883</u>	<u>-</u>	<u>135,644</u>
Total	<u>\$ 179,496</u>	<u>\$ 901,293</u>	<u>\$ 1,132,826</u>
Total Intragovernmental Liabilities	<u>\$ 2,213,615</u>		

Intragovernmental Earned Revenues and Related Costs:

<u>Agency</u>	<u>Intragovernmental Earned Revenue</u>
Department of Defense	\$ 566,429
Department of the Treasury	25,658
U.S. Capitol Police	16,149
Environmental Protection Agency	20,226
Department of Energy	8,669
Natl. Aero. and Space Admin.	12,649
Department of Justice	14,857
Department of Commerce	4,488
General Services Administration	322
Securities and Exchange Comm	5,325
U.S. Postal Service	2,028
Department of Interior	3,192
Fed. Emerg. Mgmt. Admin.	1,171
Department of Agriculture	5,669
Department of Labor	507
Department of State	1,431
Department of Health & Human Serv.	87
Department of Veterans Affairs	73
Office of Personnel Management	161
Central Intelligence Agency	91
Other Miscellaneous Agencies	<u>214,591</u>
 Total	 <u>\$ 903,773</u>

Additional Supplemental Information

<u>Budget Functional Classification</u>	Intragovernmental Gross Cost to <u>Generate Revenue</u>
054 Defense-Related Activities	\$ 5,273
401 Ground Transportation	135,631
402 Air Transportation	1,326,709
403 Water Transportation	245,944
407 Other Transportation	402,116
808 Other General Government	<u>5,533</u>
Total	<u>\$ 2,121,206</u>

Intragovernmental Non-Exchange Revenue:

<u>Agency</u>	<u>Transfers-In</u>	<u>Transfers-Out</u>
Department of the Treasury	\$ 6,364,652	\$ (36,009)
Department of Defense	8,361	(4,911)
General Services Administration	67	(119)
Department of Interior	-	(6,105)
Department of Commerce	-	(5,350)
Environmental Protection Agency	-	(14,967)
Other Miscellaneous Agencies	<u>51,836</u>	<u>(114,471)</u>
Total	<u>\$ 6,424,916</u>	<u>\$ (181,932)</u>