



Highlights of [GAO-07-625T](#), a testimony before the Subcommittee on Aviation, Committee on Transportation and Infrastructure, House of Representatives

## Why GAO Did This Study

Recently, the administration submitted a proposal for reauthorizing the Federal Aviation Administration (FAA) and the excise taxes that fund most of its budget. FAA's current authorization expires in 6 months. The proposal calls for major changes to FAA's funding and budget structure that are intended to address concerns about the long-term revenue adequacy, equity, and efficiency of FAA's current funding structure and to provide a more stable, reliable basis for funding a new air traffic control system that FAA is developing (at an estimated cost of \$15 billion to 22 billion through 2025) to meet forecasted increases in air travel demand. The proposal would introduce cost-based charges for commercial users of air traffic control services, eliminate many current taxes, substantially raise fuel taxes for general aviation users, charge commercial and general aviation users a fuel tax to pay primarily for airport capital improvements, modify FAA's budget accounts to align with specific FAA activities, and link the portion of FAA's budget that comes from the Treasury's General Fund with public benefits FAA provides.

This statement offers GAO's observations on the proposed changes in FAA's (1) funding and (2) budget structure and is based on GAO's analysis of FAA's proposal and a recent GAO report on FAA funding options.

[www.gao.gov/cgi-bin/getrpt/GAO-07-625T](http://www.gao.gov/cgi-bin/getrpt/GAO-07-625T)

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gerald L. Dillingham at (202) 512-2834 or [dillingham@gao.gov](mailto:dillingham@gao.gov).

## FEDERAL AVIATION ADMINISTRATION

# Observations on Selected Changes to FAA's Funding and Budget Structure in the Administration's Reauthorization Proposal

## What GAO Found

**Funding Structure:** The current funding structure has supported FAA as FAA's budget has grown, and it can continue to do so to fund planned modernization. Excise tax revenues are forecasted to increase if the current taxes are reauthorized without change and thus could support additional spending. If necessary, Congress can obtain more revenue by increasing the excise tax rates or the General Fund contribution to FAA's budget, although the nation's fiscal imbalance could make such an increase difficult. FAA is concerned because revenues from the current funding structure depend primarily on ticket prices and passenger numbers, which are not well linked to FAA's workload and costs. The proposed new funding structure would link revenues more closely with costs to ensure that revenues rise with increases in FAA's air traffic control and safety activities. According to FAA, cost-based user charges would also be more equitable and could create incentives for more efficient use of the system by aircraft operators. How well FAA's proposed funding structure, if enacted, would achieve these goals is uncertain because it depends on two unknowns—the soundness of a new FAA cost allocation methodology and the extent to which the proposed structure links revenues to costs. Also uncertain are the adequacy of FAA's proposed fuel tax rate to collect anticipated revenues, the implications of a proposed advisory board, and the impact of a proposal to give FAA limited debt-financing authority. Furthermore, GAO notes, user charges would reduce Congress's role in setting revenues.

**Budget Structure:** Modifying FAA's budget accounts is consistent with FAA's emphasis on aligning revenues and costs, but may present implementation issues, in that some FAA activities may be difficult to categorize. More specifically, the proposed restructuring could allow FAA to better identify funding options that link revenues and costs and may improve transparency by showing how much is being spent on specific FAA activities. However, some activities, such as those related to safety, may not lend themselves to placement in discrete categories. Linking the General Fund contribution to public benefits is appropriate, but since some activities may provide both public and private benefits, judgment rather than a precise calculation may determine the contribution.

**Concluding Observations:** The administration has introduced a complex proposal for funding FAA that GAO believes deserves serious and thoughtful consideration. While not necessary to provide more money for FAA, the proposed structure may address some of the concerns raised by the current structure if its cost allocation is sound. Because FAA's cost allocation model is new, further analysis and more time may be needed to determine whether it can adequately support a cost-based funding structure for FAA. Timely reauthorization of funding for FAA for at least the next year is, however, critical to prevent a lapse in funding for most FAA activities, regardless of the action taken on the proposed changes.