



Highlights of [GAO-07-1163T](#), a testimony before the Subcommittee on Select Revenue Measures, Committee on Ways and Means, House of Representatives

Why GAO Did This Study

The Federal Aviation Administration (FAA) operates one of the safest air transportation systems in the world, but this system is under growing strain as the demand for air travel increases. Recognizing the need to transform this system, Congress created the Joint Planning and Development Office (JPDO), housed within FAA, to plan and conceptualize the Next Generation Air Transportation System (NextGen). The current authorization for FAA, the Airport and Airway Trust Fund (Trust Fund), and most of the excise taxes that support the Trust Fund will expire September 30, 2007. Several proposals, including two reauthorization bills—H.R. 2881 and S. 1300—identify various funding sources for FAA activities, including NextGen. Among these are current excise taxes, fees, and flight surcharges. Concerned about the need for stable, sustainable financing for the nation's multibillion-dollar transportation infrastructure investments, including NextGen, GAO has designated transportation financing as high risk.

GAO's statement addresses (1) the extent to which the current funding structure can support FAA's activities, including NextGen, (2) issues that could affect the overall cost of NextGen, and (3) the implications of selected proposals to fund aviation activities. The statement is based on recent GAO reports and testimonies.

www.gao.gov/cgi-bin/getrpt?GAO-07-1163T.

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 dillinghamg@gao.gov.

AVIATION FINANCE

Observations on the Current FAA Funding Structure's Support for Aviation Activities, Issues Affecting Future Costs, and Proposed Funding Changes

What GAO Found

Recent estimates indicate that FAA's current funding structure—consisting primarily of Trust Fund revenues plus a contribution from the General Fund of the U.S. Treasury—can potentially support FAA's activities, including NextGen. The current structure has provided sufficient funding for FAA's activities to date, and both FAA and the Congressional Budget Office (CBO) have estimated that revenues will continue to increase. According to CBO projections through 2017, the current structure, if maintained, could support about \$22 billion in additional spending over current spending levels (adjusted for inflation). Congress could also raise more revenue for FAA by raising excise tax rates or by increasing the General Fund contribution. However, contributions from the General Fund may be limited by the federal government's long-term fiscal imbalance, and policy choices, structural changes in the aviation industry, and external events could affect Trust Fund revenues. Furthermore, the current funding structure raises concerns about equity and efficiency because users may pay more or less than the costs of the air traffic control services they receive, and therefore they may lack incentives to use the national airspace system as efficiently as possible.

Issues that could affect the overall cost of NextGen are primarily related to the content and cost of its infrastructure and research and development. JPDO is developing and has issued some key planning documents that will provide more insights into some of these issues, but questions remain over which entities will perform activities such as research and development. Other issues include the cost savings that could result from more efficient FAA operations and acquisition processes, which could reduce the need for new NextGen funding, and the extent to which public-private partnerships and leasing can be used to acquire NextGen infrastructure as flexibly and cost-effectively as possible.

Selected proposals for funding aviation activities could generate more revenue, but could also lead to unintended consequences. For example, a House committee recommendation to raise general aviation fuel tax rates could increase Trust fund revenue, but might reduce fuel purchases, which would limit the amount of the revenue increase. H.R. 2881 would raise airport passenger facility charges, mainly benefiting larger airports, and would establish or increase fees for certain FAA certification and registration activities. However, when fees are imposed for aviation activities, care must be taken to ensure that efforts to avoid the fees do not compromise safety. S. 1300 would authorize a surcharge of \$25 per flight on many flights to help pay for NextGen capital projects. While a surcharge would create an incentive for efficient use of air traffic services, some stakeholders raise the possibility that such a fee could lead to reduced air service for small communities. S. 1300 would also allow FAA to seek debt financing for capital projects in the private capital market—a proposal designed to create a stable revenue source but resulting in higher interest costs than borrowing from the U.S. Treasury.