



Highlights of [GAO-12-222](#), a report to the Committee on Commerce, Science, and Transportation, U.S. Senate

Why GAO Did This Study

Established in 1970, the Airport and Airway Trust Fund (trust fund) is the primary source of funding for the Federal Aviation Administration's (FAA) investments in the airport and airway system. Trust-fund revenues come largely from taxes on airline tickets and aviation fuel. The financial health of the trust fund is important to ensure sustainable funding for FAA without increasing demands on general revenues. Current law authorizes appropriations from the trust fund equal to forecast trust-fund revenues. However, if forecasts overestimate actual revenues and Congress appropriates the forecast level, the trust fund's uncommitted balance—that is, the balance in excess of what has been appropriated from the fund or authorized as contract authority—is drawn down.

Among its objectives, GAO was asked to examine (1) the accuracy of the trust-fund revenue forecasts and factors affecting forecast accuracy, (2) different options for determining appropriations from the trust fund that would reduce the risk of overcommitting the fund, and (3) the extent to which trust-fund revenues might cover planned FAA expenditures through fiscal year 2021. GAO reviewed the Department of the Treasury's (Treasury) and FAA's forecasting methods, analyzed trust-fund revenue and forecast data, and interviewed federal officials and aviation-industry and forecasting experts. The Departments of Transportation and Treasury and the Office of Management and Budget provided technical comments, which GAO incorporated into the report as appropriate.

View [GAO-12-222](#). For more information, contact Susan Fleming at (202) 512-2834 or flemings@gao.gov.

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AIRPORT AND AIRWAY TRUST FUND

Factors Affecting Revenue Forecast Accuracy and Realizing Future FAA Expenditures

What GAO Found

Actual trust-fund revenues fell short of FAA's revenue forecasts for 9 of the past 11 years, contributing to a decline in the trust fund's uncommitted balance from over \$7 billion in fiscal year 2000 to \$770 million in fiscal year 2010. Inaccurate forecasts for the taxes related to domestic passenger tickets, which account for over 70 percent of trust-fund revenues, drove the aggregate overforecast, but inaccurate forecasts for other taxes also had an effect. This inaccuracy is largely attributable to unexpected events affecting aviation, such as the terrorist attacks of September 11, 2001, and the recession in 2009; the budget process requiring the forecasts to be developed over a year in advance of the fiscal year; and lags in recognizing structural changes in the airline industry, such as airlines' increased reliance on ancillary fees for which excise taxes for the trust fund are not collected. Changes in the methodology for forecasting trust-fund revenues and the assumption of forecasting responsibility by Treasury, begun in fiscal year 2011, may also affect the future accuracy of forecasts, but it is too soon to tell what effect the changes will have after just 1 fiscal year.

Alternative options for how Congress determines available resources for appropriation from the trust fund could provide for substantially greater protection against overcommitting trust-fund resources—that is, help ensure that trust-fund revenues would be sufficient to cover FAA's expenditures—or requiring additional general-revenue contributions than the current approach outlined in law. To this end, Congress could limit budget resources available for appropriation from the trust fund to less than the forecast revenues—for example, the current House FAA Reauthorization bill has a provision that would make only 90 percent of forecast revenues available for appropriation from the trust fund as well as any prior year differences between actual trust-fund revenues and appropriations from the trust fund. Other options would make only actual revenues from the prior year available, or base appropriations on the maintenance of a target level for the trust fund's balance. However, unless a sufficiently large minimum balance is established, there would still be some risk of overcommitting trust-fund resources under these options. The alternatives could also result in greater swings in trust-fund appropriations, requiring varying levels of general revenues to maintain overall stable spending levels for FAA.

The extent to which trust-fund revenues might cover FAA's future expenditures will depend on whether trust-fund revenue and FAA expenditure forecasts are realized. Under current revenue and expenditure forecasts, between 8 percent and 32 percent of FAA's annual expenditures for fiscal years 2013 through 2021 could have to be paid for by general revenues unless spending is reduced or additional taxes are paid into the trust fund. However, congressional decisions, including the level of FAA's appropriations; unexpected events affecting trust-fund revenues and FAA expenditures; and FAA's implementation and management of programs could significantly change forecast revenues and expenditures in future years. For example, FAA's modernization of the air traffic control system, called the Next Generation Air Transportation System (NextGen), is currently estimated to cost FAA \$15 billion to \$22 billion, and an additional \$5 billion to \$7 billion for equipping aircraft with NextGen technology, but those costs could change depending upon the speed of implementation and other factors.