



Highlights of [GAO-05-657T](#), a report to Subcommittee on Aviation, House Committee on Transportation and Infrastructure

# AIRPORT AND AIRWAY TRUST FUND

## Preliminary Observations on Past, Present, and Future

### Why GAO Did This Study

The Airport and Airway Trust Fund (Trust Fund) was established in 1970 to help fund the development of a nationwide airport and airway system and to fund investments in air traffic control facilities. It provides all of the funding for FAA's accounts such as the Airport Improvement Program (AIP), which provides grants for construction and safety projects at airports, the Facilities and Equipment (F&E), which funds technological improvements to the air traffic control system, and the Research, Engineering, and Development (RE&D). In addition, the Trust Fund provides some funding for FAA's operations account. To fund these accounts, the Trust Fund relies on a number of taxes for revenue, including passenger ticket, fuel, and cargo taxes that are paid by passengers and airlines. Since 1970, revenues have generally exceeded expenditures—resulting in a surplus or an uncommitted balance. In 2004, the Trust Fund's year end uncommitted balance was about \$2 billion.

A number of structural changes in the aviation industry and external events have affected revenues flowing into and out of the Fund and have caused some aviation stakeholders to speculate about the Fund's financial condition. The various taxes that accrue to the Trust Fund are scheduled to expire in 2007. GAO was asked to provide information and analysis about the financial outlook of the Trust Fund.

[www.gao.gov/cgi-bin/getrpt?GAO-05-657T](http://www.gao.gov/cgi-bin/getrpt?GAO-05-657T).

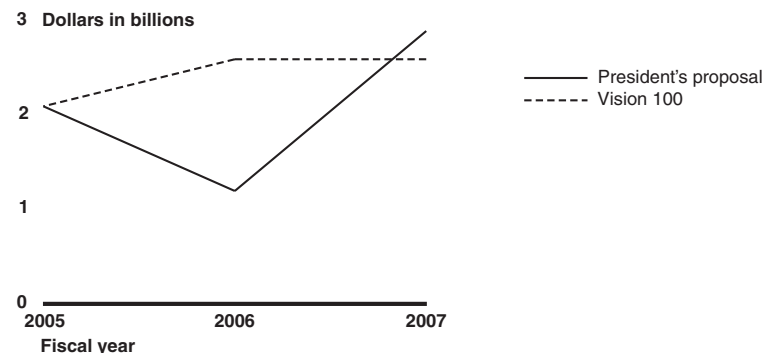
To view the full product, including the scope and methodology, click on the link above. For more information, contact Gerald Dillingham at (202) 512-2834 or [dillinghamg@gao.gov](mailto:dillinghamg@gao.gov).

### What GAO Found

With the exception of its first four years, the Trust Fund has ended each year with an uncommitted balance; however, the amount of the uncommitted balance has fluctuated and is currently trending downward. In 1991 and 1999, the Trust Fund's uncommitted balance totaled over \$7 billion—its highest level. However, in several years, the Trust Fund's balance experienced dramatic decreases resulting in a lower uncommitted balance, in part, because of lapses in the taxes that accrue to the Fund or reductions in demand for air travel. The Trust Fund's uncommitted balance decreased from \$7.3 billion in 2001 to \$4.8 billion in 2002 and has continued to decrease by about \$1 billion each year since. This declining uncommitted balance has been caused by a number of underlying factors, such as reductions in the demand for air travel.

Over the next 3 years, the Trust Fund is projected to have sufficient revenue to fund authorized spending and end each year with an uncommitted balance under the current law, referred to as Vision 100, and the President's 2006 budget proposal, as shown below. However, this financial outlook depends on the realization of FAA's forecasted commercial passenger traffic levels and airfares. If revenues are 5 percent lower than projected, as they were in 2001, the Trust Fund's uncommitted balance would be \$1.5 billion or lower under both Vision 100 and the President's budget proposal in 2006 and 2007. If the revenues were 10 percent lower than projected, as they were in 2004, the uncommitted balance would reach zero in 2006 under the President's proposal and in 2007 under Vision 100. FAA officials told GAO that if the uncommitted balance reached zero, FAA would still fund air traffic control services but would have to suspend some AIP and F&E activities.

**Trust Fund's Projected Year End Uncommitted Balance Under Vision 100 and President's 2006 Budget Proposal**



Source: FAA.