



REVENUE and FUNDING SOURCES

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REVENUE AND FUNDING SOURCES

- Aviation excise taxes
- Airport and Airway Trust Fund
- International practices
- Challenges going forward

OVERVIEW OF U.S. PROCESS

- Aviation excise taxes are authorized and collected.
- Collections deposited into the Airport and Airway Trust Fund.
- Federal aviation programs are authorized.
- Money is appropriated from the AATF and from the General Fund.

BACKGROUND

- Airport and Airway Revenue Act of 1970:
 - Created AATF to provide a dedicated source of funding for the aviation system independent of the General Fund.
 - Created system of excise taxes to support AATF.
 - Prior to the formation of the AATF, only a 5% tax on passenger tickets, a general aviation fuel tax, and a tire and tube tax directly supported aviation.
 - In 1980, the Trust Fund expired for over two years until reestablished by enactment of the Airport and Airway Improvement Act of 1982. During the interim, user taxes were deposited directly into the General Fund.
 - Over the years, the portion of the Operations and Maintenance costs that the Trust Fund has covered has gone from 0% to 100% depending on whether Congress views the Trust Fund as a user-pay or a capital funding only mechanism.

TAXPAYER RELIEF ACT OF 1997

Excise taxes expired in 1997 for nine months; re-instituted in new form:

	Est. FY2004 (\$ Millions)
Domestic passenger ticket tax	\$4,932.5
Domestic flight segment fee	\$1,943.6
Rural airports passenger ticket tax	\$ 75.3
International departure tax	
International arrival tax	\$1,432.8
Continental U.S. and Alaska / Hawaii	
Frequent flyer tax	\$ 153.5
Domestic cargo / mail	\$ 442.2
General aviation fuel tax	\$ 182.5
Commercial fuel tax	\$ 588.3

FAA BUDGET ACCOUNTS

- 4 major accounts
 - **Operations & Maintenance (currently partially funding by AATF)**
 - Capital Accounts (currently funded 100% by AATF with private-user excise taxes)
 - **Facilities and Equipment**
 - **Airport Improvement Program**
 - **Research, Engineering, & Development**
- From 1973-2000, AATF financed (on average):
 - 100% of Capital accounts (F&E, AIP, RE&D) as required by statute
 - 31% of OPS
- AATF covered 68% of OPS, on average, for 2001-2003.
- Going forward, AATF will cover approximately 76% of OPS.

LEGISLATION AFFECTING APPROPRIATIONS FROM THE TRUST FUND

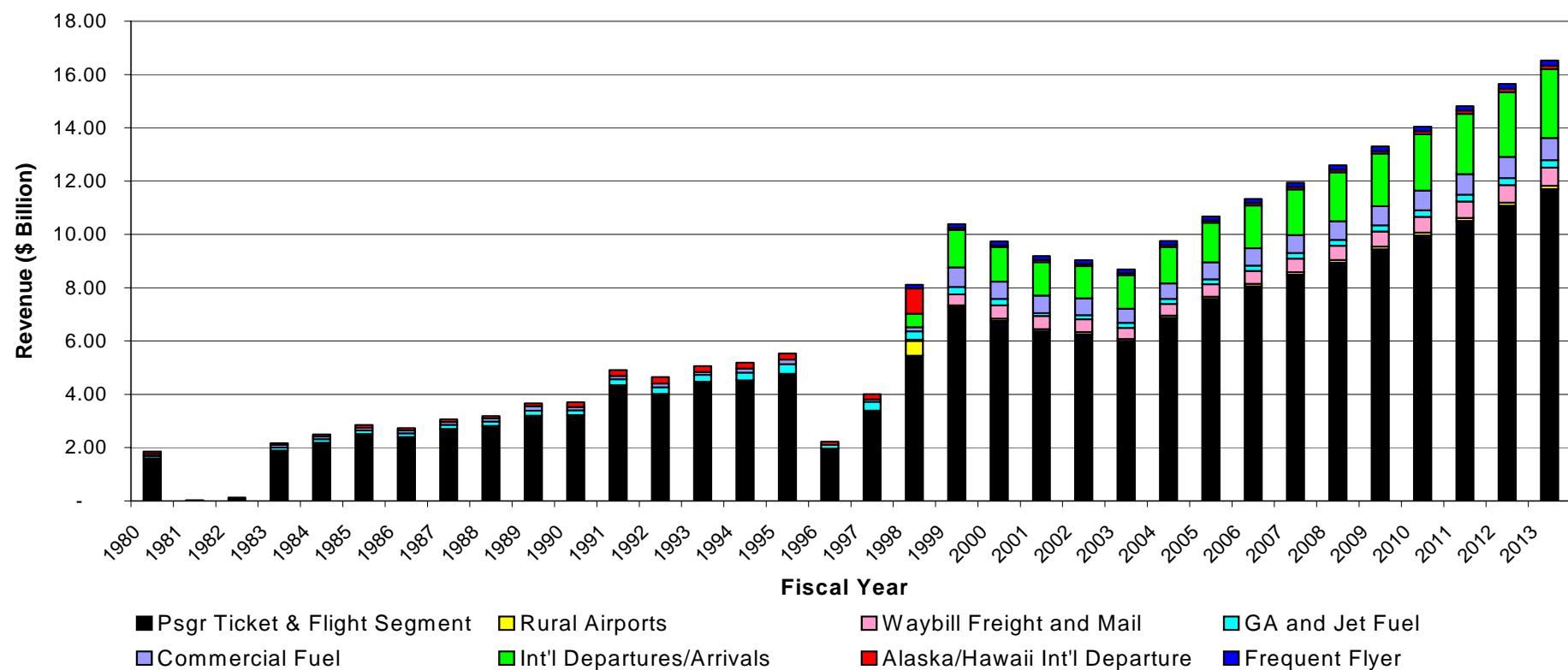
AIR-21 (2001)

- Contained a “guarantee” that ensured that all aviation trust fund receipts (including interest) were spent for aviation purposes on an annual basis.
- Required the total AATF budget resources made available each fiscal year be equal to the level of receipts of revenue plus interest credited to the AATF for that fiscal year.
- Total budget resources: Airport Improvement Program (AIP); Facilities & Equipment (F&E); Research & Development (RE&D).
- Revenue + Interest - AIP - F&E - RE&D = AATF share of OPS (any shortfall was made up via the General Fund) Note: Beginning Cash Balance is *not* included in this calculation.

Vision-100 (2004)

- Continued the “guarantee” that ensured that all aviation trust fund receipts (including interest) were spent for aviation purposes on an annual basis.
- Trust fund share of OPS is no longer determined via the AIR-21 formula.

Excise Tax Revenues that Accrue to AA Trust Fund (1980 - 2013)



Notes:

1981-1982: Airport & Airway Redevelopment Act of 1970 expired, as did the authorization to transfer the revenue from these taxes to the Trust Fund.

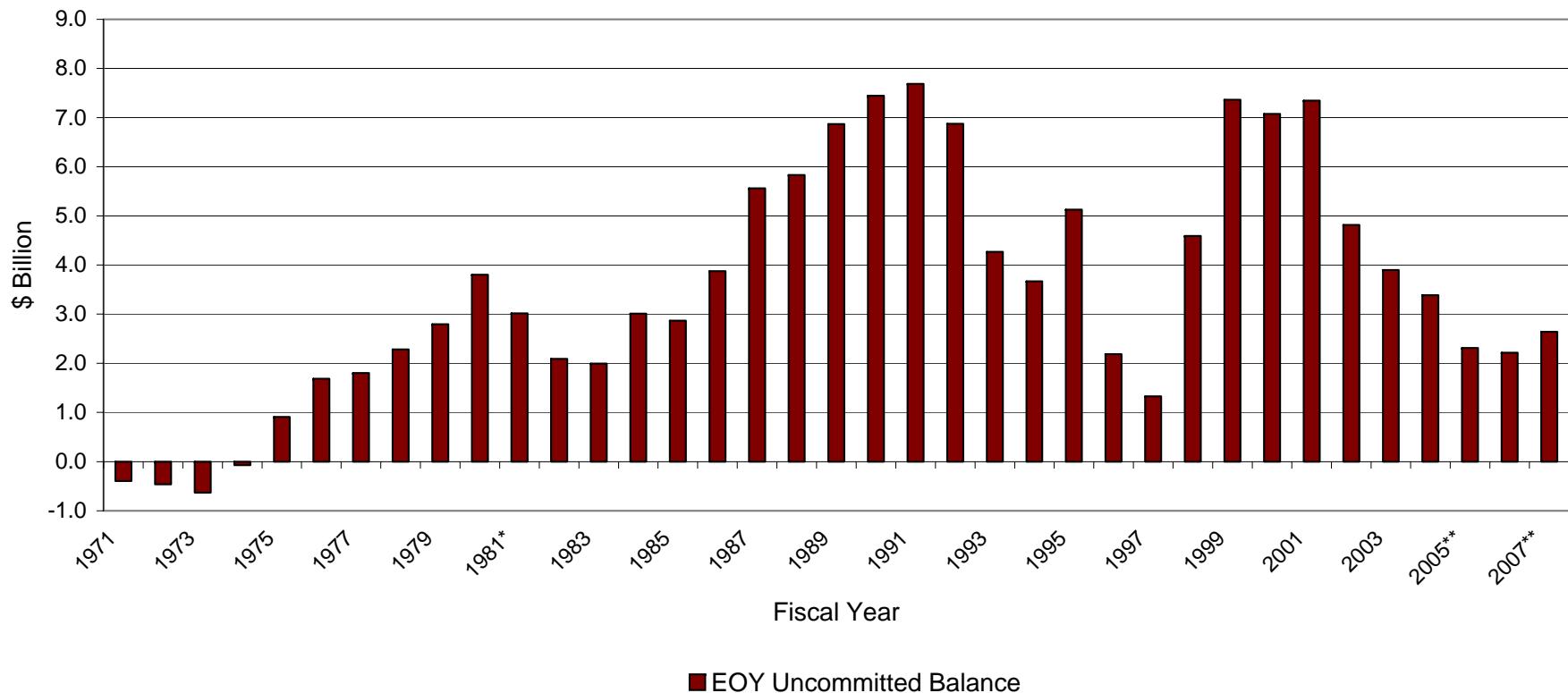
1997: Temporary suspension of FAA taxing authority and Treasury authority to transfer revenue in 1996.

1999: Deposit rule changes of aviation trust fund tax revenues affected FY99 revenue estimates: An additional 1.5 months of domestic tax, segment rural airports, international departure/arrival and frequent flyer tax receipts and two months of waybill, general aviation fuel/tax and commercial tax receipts increased FY99.

2001: \$481M in accrued FY2001 tax liability moved from FY2001 to FY2002, reflecting deposit due date slippage under the Air Transportation Safety and System Reliability Act.

2004-2013: Forecasted in FY 2005 President's Budget.

Airport and Airway Trust Fund Uncommitted Balance History



Notes:

* Aviation excise tax revenues of \$1,180 million in 1981 and \$1,036 million in 1982 were not credited to the trust fund, but remained in the general fund.
 (Source: *The Status of the Airport and Airway Trust Fund*; page 12)

** Forecasted Balance

Sources:

For FY1971-1988: *The Status of the Airport and Airway Trust Fund*, A Special Study, Congressional Budget Office, December 1988, pages 12-13.

For FY1989-1998: Trust Fund FY02 Mid-Session Review.

For FY1999-2007: FY05 President's Budget

AATF and General Fund Financing of OPS

	Current \$		Percentage		Statutory Policy
	AATF	Gen Fund	AATF	Gen Fund	
1970					
1971	\$34	\$1,207	3%	97%	AATF to be used for capital investment and, to extent funds were available, operating costs also.
1972	\$989	\$15	99%	1%	Capital spending from AATF restricted, but full AATF funding of operations.
1973	\$0	\$1,170	0%	100%	AATF spending restricted to capital investments.
1974	\$0	\$1,292	0%	100%	
1975	\$0	\$1,419	0%	100%	
1976	\$0	\$1,567	0%	100%	
1977	\$250	\$1,488	14%	86%	
1978	\$275	\$1,623	14%	86%	
1979	\$300	\$1,733	15%	85%	AATF spending for operations limited to 15%.
1980	\$325	\$1,845	15%	85%	
1981	\$525	\$1,815	22%	78%	
1982	\$810	\$1,538	34%	66%	
1983	\$1,277	\$1,466	47%	53%	
1984	\$0	\$2,644	0%	100%	
1985	\$1,110	\$1,649	40%	60%	AATF funding of operations was limited by tying it to capital investment spending.
1986	\$427	\$2,381	15%	85%	
1987	\$621	\$2,361	21%	79%	
1988	\$826	\$2,358	26%	74%	
1989	\$471	\$2,974	14%	86%	
1990	\$807	\$3,017	21%	79%	
1991	\$2,003	\$2,034	50%	50%	
1992	\$2,110	\$2,250	48%	52%	
1993	\$2,259	\$2,251	50%	50%	
1994	\$2,295	\$2,285	50%	50%	
1995	\$2,450	\$2,122	54%	46%	Total budget resources made available from AATF to be equal to receipts plus interest.
1996	\$2,223	\$2,420	48%	52%	
1997	\$1,700	\$3,255	34%	66%	
1998	\$3,425	\$3,351	51%	49%	No funds may be appropriated or limited for investment programs unless this amount is provided.
1999	\$4,112	\$1,474	74%	26%	
2000	\$5,968	(\$11)	100%	0%	
2001	\$4,405	\$2,198	67%	33%	To the extent that receipts are expected to fall short of authorized amounts, General Fund may be appropriated for OPS.
2002	\$5,974	\$1,268	82%	18%	
2003	\$3,799	\$3,278	54%	46%	
2004	\$4,469	\$3,010	60%	40%	FY05 President's Budget

General Fund Share of Total FAA Budget

Fiscal Yr	% FAA Approps financed by GF	Statutory Policy
1982*	49%	
1983	35%	
1984	59%	
1985	31%	
1986	49%	
1987	48%	
1988	41%	
1989	47%	
1990	42%	
1991	25%	AATF funding of operations was limited by tying it to capital investment spending.
1992	25%	
1993	25%	
1994	27%	
1995	26%	
1996	30%	
1997	38%	
1998	37%	
1999	15%	
2000	0%	
2001**	17%	
2002**	8%	AIR-21
2003**	24%	
2004	22%	
2005	13%	
2006	13%	
2007	13%	
2008	13%	FY05 President's Budget
2009	13%	
2010	13%	
2011	13%	
2012	13%	

*Aviation taxes of \$1,036 million were not credited to the AATF in 1982, but remained in the GF.

**Under AIR-21, total budget resources made available from the AATF were to be equal to receipts plus interest. No funds were to be appropriated or limited for investment programs unless this amount was provided. To the extent that receipts were expected to fall short of authorized amounts, General Fund could be appropriated for Operations.

INTERNATIONAL MODELS

ICAO Charging Principles

- Consultation with users
- Transparent development
- Cost related charges
- No cross subsidization between groups
- Mostly fixed and common costs; low variable costs
- Most common / recommended model:
 - Distance * (aircraft weight)⁻²
 - Factor of aircraft weight serves as proxy of “ability to pay”
- International service providers have “privatized” to varying degrees

OTHER ISSUES

- Other U.S. aviation fees and taxes
- Other demands on AATF
- Amount of FAA requirements
- What happens after 2007?