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FEDERAL AVIATION ADMINISTRATION

An Analysis of the Financial Viability of the Airport and Airway Trust Fund

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Highlights of GAO-06-562T, a testimony before the Subcommittee on Aviation, Committee on Commerce, Science and Transportation, U.S. Senate

Why GAO Did This Study

The Airport and Airway Trust Fund was established by the Airport and Airway Revenue Act of 1970 (P.L. 91-258) 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 the Federal Aviation Administration's (FAA) capital accounts, including: (1) the Airport Improvement Program, which provides grants for construction and safety projects at airports; (2) the Facilities and Equipment account, which funds technological improvements to the air traffic control system; and (3) the Research, Engineering, and Development account, which funds continued research on aviation safety, mobility, and environment issues. In addition, at various times during its history, the Trust Fund has funded all or some portion of FAA's operations. To fund these accounts, the Trust Fund is credited with revenues from a variety of excise taxes related to passenger tickets, passenger flight segments, international arrivals/departures, cargo waybills, and aviation fuels. Including interest earned on its balances, the Trust Fund received $10.8 billion in fiscal year 2005.

The various taxes that accrue to the Trust Fund are scheduled to expire at the end of fiscal year 2007. GAO was asked to provide information and analysis about the financial condition and future viability of the Trust Fund.

www.gao.gov/cgi-bin/getrpt?GAO-06-562T.

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.

March 28, 2006

FEDERAL AVIATION ADMINISTRATION

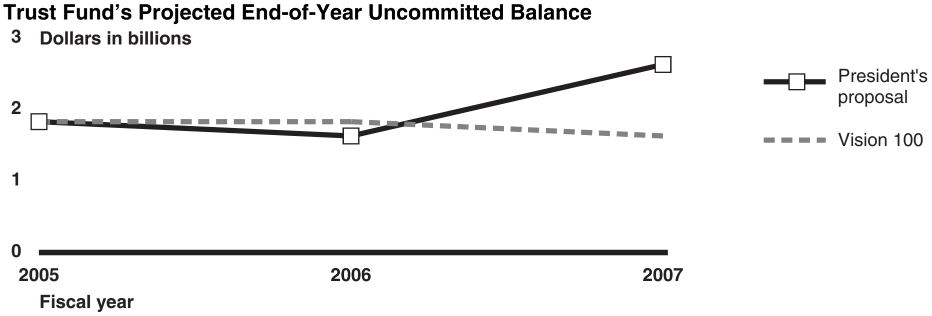
An Analysis of the Financial Viability of the Airport and Airway Trust Fund

What GAO Found

The Trust Fund's uncommitted balance decreased from $7.3 billion at the end of fiscal year 2001 to about $1.9 billion at the end of fiscal year 2005. In 3 of the last 4 fiscal years, the Trust Fund's uncommitted balance has fallen by over $1 billion because revenues were lower than FAA forecasted due to the impact of unanticipated events such as the September 11, 2001, terrorist attacks. However, the rate of decrease has slowed; during fiscal year 2005, the uncommitted balance decreased by about $500 million. Under FAA's current authorization, appropriations from the Trust Fund are based on forecasted revenues. Thus, if actual revenues approximate forecasted revenues, there should be no substantial change in the uncommitted balance. However, for each fiscal year since 2001, because actual revenues have been less than forecasted, the uncommitted balance has fallen.

Based on its revenue forecast and appropriation for fiscal year 2006, FAA forecasts that the Trust Fund's uncommitted balance will fall by the end of 2006 to about $1.7 billion. If the Congress continues to follow the formula from Vision 100—FAA's current authorizing legislation that links appropriations made available from the fund to revenue forecasts—then FAA expects there will be little change in the uncommitted balance for fiscal year 2007. If, instead, the Congress adopts the President's budget for FAA for fiscal year 2007, FAA forecasts that the fund's uncommitted balance by the end of 2007 will rise to about $2.7 billion (see figure). This higher forecasted uncommitted balance occurs because the President's budget calls for an appropriation to FAA from the Trust Fund that is about $1 billion lower than the Vision 100 formula.

Trust Fund's Projected End-of-Year Uncommitted Balance



Source: GAO analysis of FAA data.

If revenues in fiscal years 2006 and 2007 are below forecasted levels, the Trust Fund's uncommitted balance will be less than forecasted and, in one scenario we analyzed, will reach zero by the end of 2007. This scenario raises concerns because, in the past, the Trust Fund's uncommitted balance was used to offset lower-than-expected Trust Fund revenues and decreased general fund contributions. FAA could help address these concerns by continuing to look for ways to improve efficiency and reduce costs. However, the zero-balance scenario would most likely have implications for the Congress in funding FAA programs.

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the financial viability of the Airport and Airway Trust Fund (Trust Fund) and the President's proposed 2007 budget for the Federal Aviation Administration (FAA). Over the course of FAA's last two authorizations, FAA's appropriations increased from $9.8 billion in fiscal year 1999 to $14.3 billion this fiscal year (2006), and fiscal year 2007 is projected to be $15.2 billion.[1] In this testimony, we will present the results of our analysis of the uncommitted balance[2] of the Trust Fund and related issues as requested by this committee.

FAA is currently funded by a combination of Trust Fund revenues derived from excise taxes levied on a variety of aviation activities and from general fund revenues. The Trust Fund's uncommitted balance depends on the revenues flowing into the fund and the appropriations made available from the fund for various spending accounts. Policy choices, structural changes in the aviation industry, and external events have affected revenues flowing into and out of the fund. For example, the uncommitted balance has been declining in recent years because Trust Fund revenues for the last 5 years have been less than FAA's forecasted levels. Our analysis includes scenarios in which Trust Fund revenues continue to fall short of forecasted levels. Under these scenarios, the Trust Fund balance continues to decline, and in one scenario, the balance reaches zero by the end of 2007. We believe these scenarios raise concerns because in the past the Trust Fund's uncommitted balance was used to offset lower-than-expected Trust Fund revenues and decreased general fund contributions. FAA could help address these concerns by continuing to look for ways to improve efficiency and reduce costs. However, the zero-balance scenario would most likely have implications for the Congress in funding FAA programs. In addition, we believe that the information about the financial viability of the Trust Fund will be critical to congressional decision making regarding appropriations for FAA's 2007 budget.

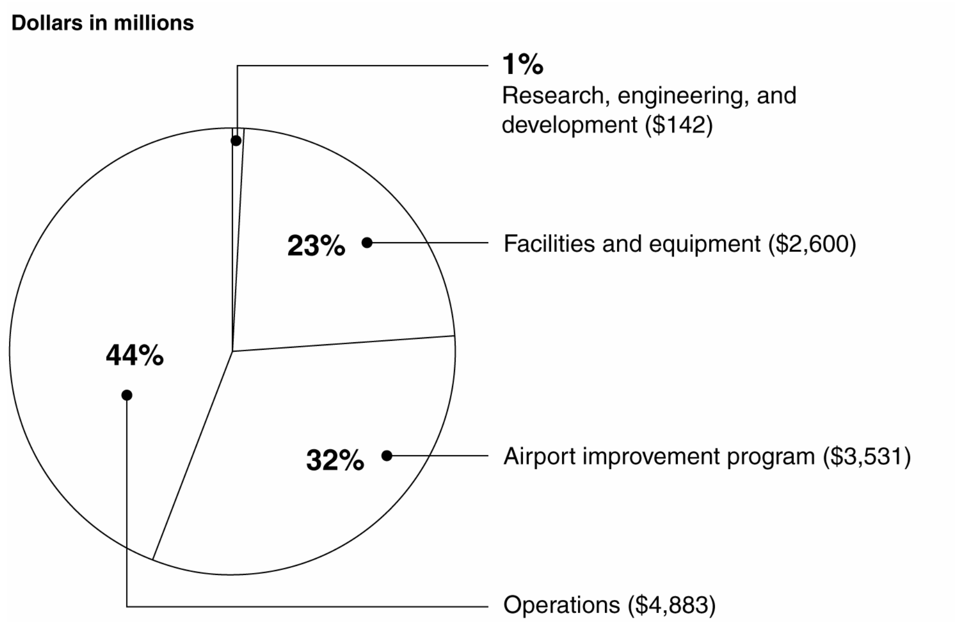
The Trust Fund was established by the Airport and Airway Revenue Act of 1970 (P.L. 91-258) to help fund the development of a nationwide airport and airway system and to fund investments in air traffic control facilities.

[1]Unless otherwise specified, all dollar amounts in this testimony are in nominal dollars and all data discussed and presented are on a fiscal year basis.

[2]The Trust Fund's uncommitted balance represents money against which there is no outstanding budget commitment or budget authority to spend.

It provides all of the funding for FAA's capital accounts, including: the Airport Improvement Program (AIP), which provides grants for construction and safety projects at airports; the Facilities and Equipment (F&E) account, which funds technological improvements to the air traffic control system; and the Research, Engineering, and Development (RE&D) account, which funds continued research on aviation safety, mobility, and environment issues as well as the FAA's portion of the Joint Planning and Development Office. In addition, at various times during its history, the Trust Fund has funded all or some portion of FAA's operations. In 2005, expenditures from the Trust Fund were made among the four accounts shown in figure 1.

Figure 1: Expenditures from the Trust Fund for Fiscal Year 2005 Total $11,156 Million



Source: GAO analysis of FAA data.

To fund these accounts, the Trust Fund is credited with revenues from a variety of excise taxes related to passenger tickets, passenger flight segments, international arrivals/departures, cargo waybills, and aviation fuels. These taxes are scheduled to expire at the end of 2007. Including interest earned on its balances, the Trust Fund received $10.8 billion in 2005. Table 1 shows the distribution of Trust Fund revenues for 2005 by source.

Table 1: Sources of Trust Fund Revenue, Fiscal Year 2005

Dollars in millions		
Revenue source	**Amount**	**Percent**
Passenger ticket tax	$5,161	48
Passenger flight segment tax	1,900	18
Cargo tax	461	4
Fuel tax	971	9
International departure/arrival tax	1,922	18
Interest	440	4
Refunds[a]	(101)	(1)
Total	**$10,754**	**100**

Source: GAO analysis of FAA data.

[a]Refunds include: refund of aviation fuel other than gas (noncommercial), refund of aviation gasoline (noncommercial), and other refunds/credits.

Although expenditures from the Trust Fund exceeded revenues in 2005, since the Trust Fund's creation in 1970, revenues have in aggregate exceeded spending commitments, resulting in a surplus or an uncommitted balance. At the end of 2005, the Trust Fund's uncommitted balance was about $1.9 billion.

Policy choices, 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 status. Some aviation stakeholders have said that there is a reason to be concerned about the financial condition of the Trust Fund because in recent years, revenues have not kept pace with funding commitments and the uncommitted balance has been used to close the gap. Other aviation stakeholders state that the fund is healthy because revenues are currently increasing and are expected to continue to increase.

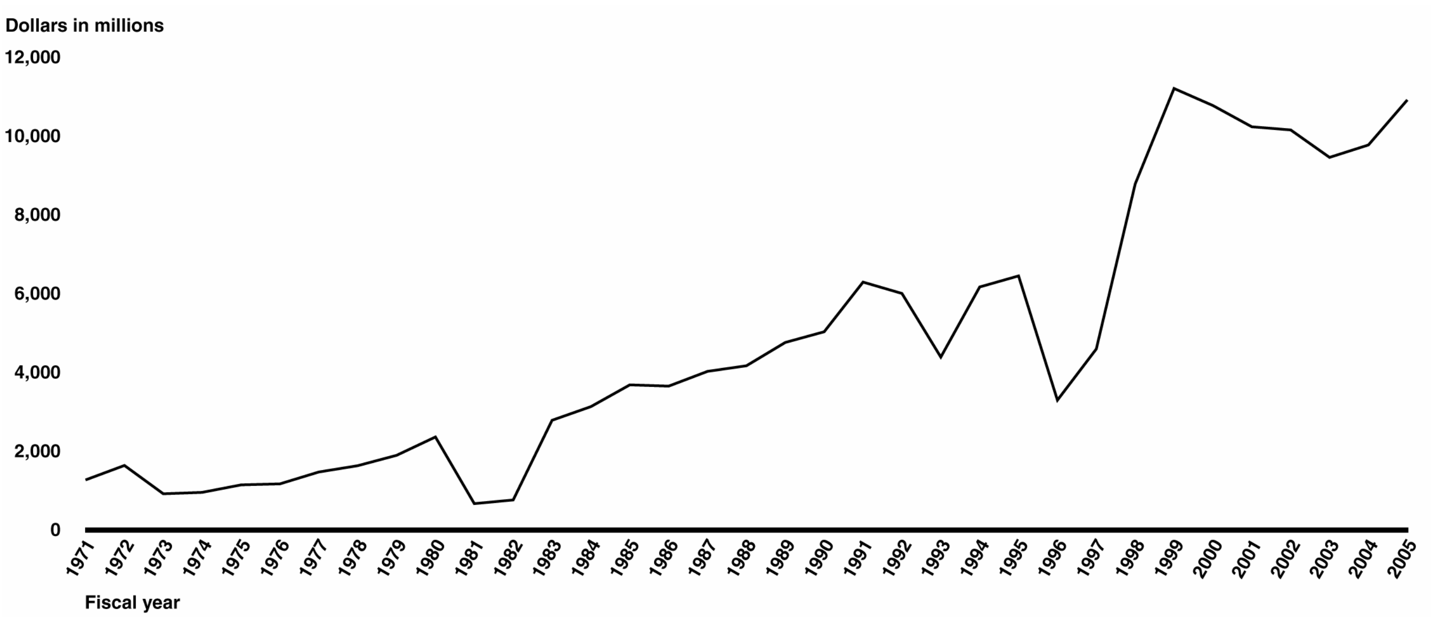
The focus today is the Trust Fund's revenues and balances over the past few years; the projected near-term future of the Trust Fund, considering the President's 2007 budget request for FAA; and policy decisions that may affect longer-term Trust Fund balances. The scope of our work and the specific methodology are discussed at the end of my statement.

Recent Trends of the Trust Fund and the Effect on the Fund's Uncommitted Balance

Revenues Have Generally Increased with Some Fluctuations

The Trust Fund's uncommitted balance depends on the revenues flowing into the fund and the appropriations made available from the fund for various spending accounts. The amount of revenue flowing into the Trust Fund has fluctuated from year to year but has generally trended upward, as shown in figure 2. Some of the fluctuation has resulted from changes in economic conditions, but some has been due to other factors. For example, during 1981 and 1982, revenues (including interest) flowing into the fund averaged about $629 million—the lowest amount in the fund's history—because of a lapse in the collection of aviation taxes. In 1999, revenue flowing into the fund totaled about $11.1 billion, the largest amount in the fund's history.

Figure 2: Trust Fund Revenues Have Fluctuated but Generally Increased



Source: GAO analysis of Congressional Budget Office data and FAA budgets.

Note: Trust revenues include interest earned.

However, after revenues peaked in 1999, the amount of revenue flowing into the Trust Fund decreased in each of the next 4 years, reaching a level of about $9.3 billion in 2003. A number of factors contributed to this decrease. For example, within the airline industry, the growth of the Internet as a means to sell and distribute tickets, the growth of low-cost airlines, and fare reductions by legacy carriers[3] all transformed the industry and led to lower average fares. These lower fares have resulted in lower ticket taxes and less revenue going into the Trust Fund. In addition, in the same time period, a series of largely unforeseen events, including the September 11, 2001, terrorist attacks, war in Iraq and associated security concerns, the Severe Acute Respiratory Syndrome (SARS), and global recessions seriously affected demand for air travel, resulting in a decrease in airline industry and Trust Fund revenue.

Since the beginning of 2004, however, Trust Fund revenues have been increasing. In fact, revenues from tax sources in 2005 were nearly as high as in 1999, although total revenues were still below peak level because less interest was earned due to a lower Trust Fund balance.

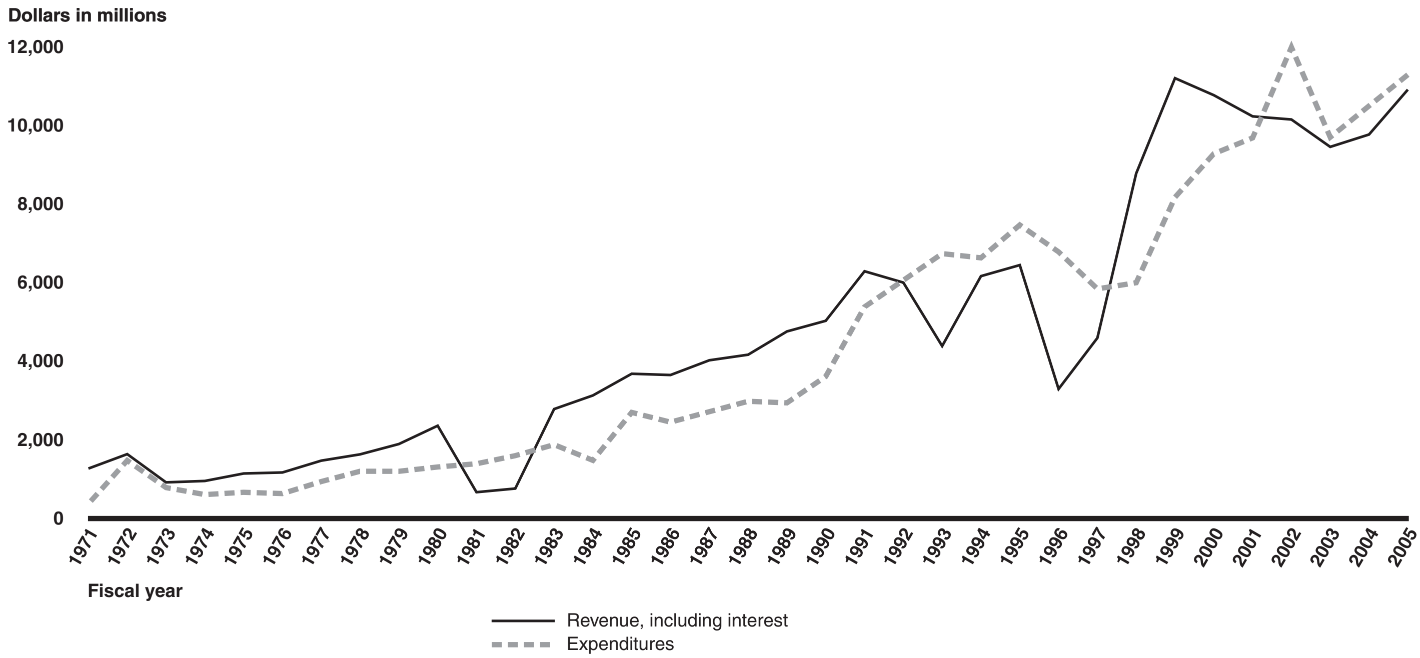
Expenditures from the Trust Fund Have Also Generally Increased

Similar to the revenue picture, the annual amount of expenditures from the Trust Fund also has generally increased since the fund's inception, but with some fluctuation. One source of fluctuation has been that the share of FAA operations paid by the Trust Fund has varied over time.[4] Figure 3 shows how expenditures from the fund have changed over time and how they have compared with revenues. In some years, they have exceeded revenues, but in other years they have been less than revenues.

[3] Generally, legacy carriers are those network airlines whose interstate operations predate airline deregulation of 1978 and that have adopted a hub-and-spoke network model.

[4] In a majority of years since its inception, the Trust Fund has funded some portion of FAA's operations.

Figure 3: Trust Fund Expenditures Have Generally Increased over Time and Occasionally Exceeded Revenues



Source: GAO analysis of Congressional Budget Office data and FAA budgets.

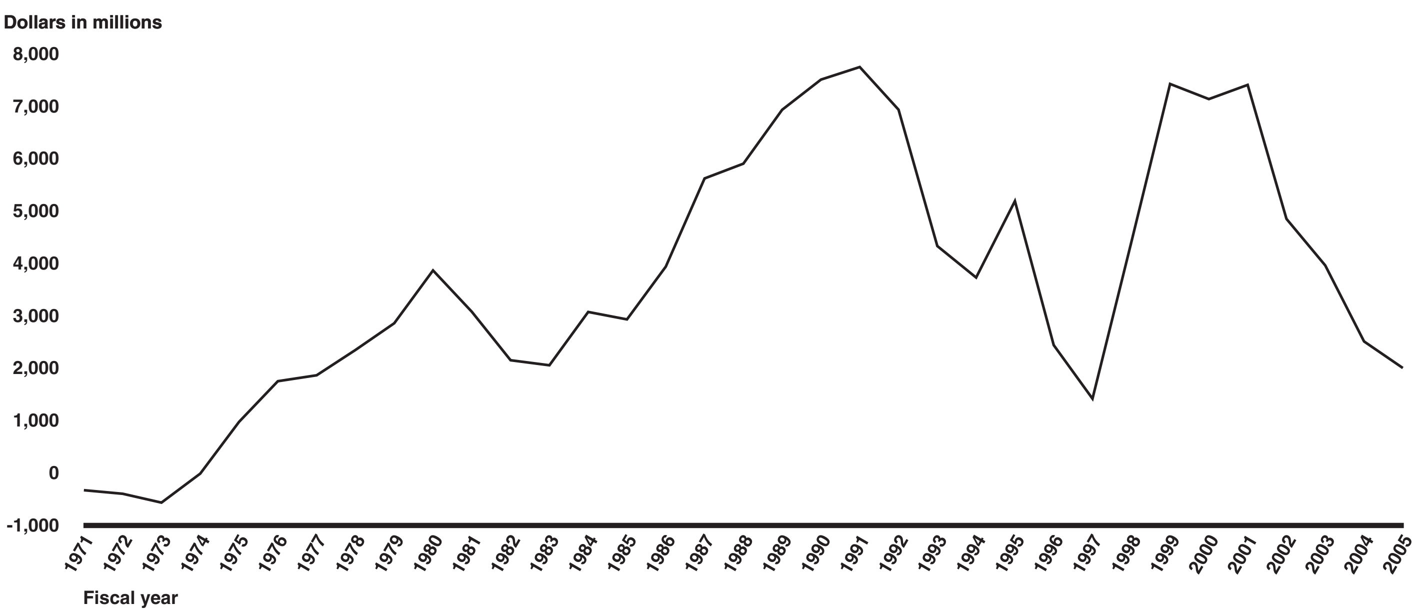
Appropriations from Trust Fund Are Now Linked to Projected Revenues

In the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21), the Congress created a link between Trust Fund revenues and appropriations from the fund to try to ensure that all fund receipts, including interest, were committed to spending for aviation purposes on an annual basis. According to a provision of AIR-21, which was continued in the Century of Aviation Reauthorization Act (Vision 100)—FAA's current authorizing legislation—total appropriations made available from the fund in each fiscal year shall equal the level of receipts plus interest in that year, and these appropriations can be used only for aviation investment programs, which are defined as FAA's capital accounts plus the Trust Fund's share of FAA operations. Further, the level of receipts was specified to be the level of excise taxes plus interest credited to the fund for a fiscal year as set forth in the President's budget baseline projection for that year.

Trust Fund's Uncommitted Balance Has Been Declining in Recent Years

As shown in figure 4, 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 substantially over time, generally increasing when Trust Fund revenues exceed appropriations from the fund and decreasing when they are less than appropriations. As noted in the figure, the uncommitted balance has decreased substantially in recent years. The Trust Fund's uncommitted balance peaked at over $7 billion in 1991, 1999, and 2001. In contrast, because of lapses in the taxes that accrue to the fund, at the end of 1982, the uncommitted balance was about $2.1 billion, and at the end of 1997, it was about $1.4 billion. Specifically, the Trust Fund's uncommitted balance decreased from $7.3 billion at the end of 2001 to $4.8 billion at the end of 2002 and has continued to decrease since then, reaching about $1.9 billion at the end of 2005. However, the rate of decrease has slowed; in 2005, the uncommitted balance decreased by about $500 million, after falling by at least $900 million in each of the previous 3 years.

Figure 4: Trust Fund's End-of-Year Uncommitted Balance Has Trended Downward in Recent Years



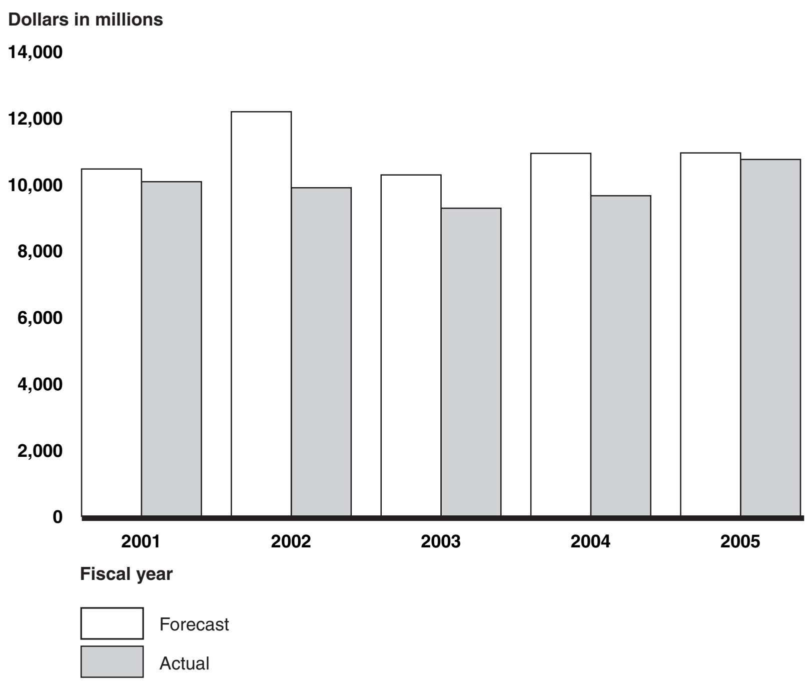
Source: GAO analysis of Congressional Budget Office data and FAA budgets.

The uncommitted balance has fallen in recent years because Trust Fund revenues have fallen short of forecasted levels by over $1 billion in 3 out of the last 4 fiscal years. For example, in 2001, the difference between forecasted revenue and actual revenue coming in to the Trust Fund was $383 million less than expected. In 2002, the difference jumped to $2.3 billion due to the impact that unanticipated external events such as the September 11, 2001, terrorist attacks had on the aviation industry. Residual effects and other factors such as the war in Iraq and the SARS outbreak lasted through 2003 and 2004, with each year's actual revenues coming in at least $1 billion below forecasted revenues.

As mentioned above, under Vision 100 and its predecessor, AIR-21, appropriations made available from the Trust Fund are based on forecasted revenues.[5] Thus, if actual revenues approximate forecasted revenues, there should be no substantial change in the uncommitted balance. However, as shown in figure 5, for each year beginning with 2001, actual revenues, including interest, have been less than forecasted, so that in each year since then, the uncommitted balance has fallen.

[5] FAA has developed econometric forecast models and established a forecast process that attempt to anticipate changes that may affect the future direction of the aviation industry. Using this forecast process, FAA annually provides 12-year forecasts of aviation demand and activity measures that are used for aviation-related personnel and facility planning. FAA also occasionally sponsors workshops that focus on the forecasting process and ways to improve the reliability and utility of forecasting results. Some errors in forecasting can be attributed to unanticipated external events and their impact on activity (e.g., terrorism, the outbreak of SARS, rapid rise in oil prices); others can be attributed to errors in the assumptions (e.g., passenger trip length, seats per aircraft, economic growth) behind the forecasts.

Figure 5: Comparison of Forecasted Revenue and Interest with Actual Revenue and Interest Received

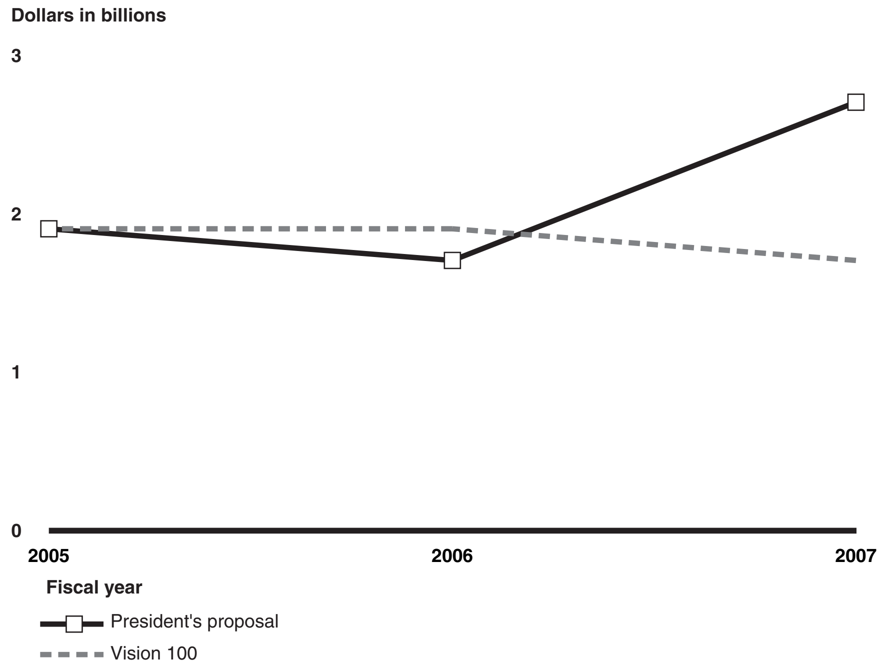


Source: GAO analysis of FAA data.

Fund's Uncommitted Balance Is Projected to Be Positive through 2007 but Depends on Realization of Forecasted Passenger Traffic Levels and Airfares

Based on its revenue forecast and appropriations for 2006, FAA forecasts that the Trust Fund's uncommitted balance will decrease by the end of 2006 to about $1.7 billion. FAA forecasts that if, for 2007, the Congress continues to follow the Vision 100 formula for linking budget resources made available from the fund to expected revenues, then there will be little change in the uncommitted balance—$1.7 billion—during that year. If, instead, the Congress adopts the President's budget request for FAA for 2007, FAA forecasts that the fund's uncommitted balance by the end of 2007 will rise to about $2.7 billion. This higher forecasted uncommitted balance occurs because the President's budget calls for an appropriation from the Trust Fund that is about $1 billion lower than the Vision 100 formula. In addition, compared with Vision 100, the President's budget calls for a reduction in the appropriation to FAA from the general fund of about $500 million. Thus, in total, compared with Vision 100, the President's budget calls for a reduction of about $1.5 billion in FAA's appropriation. Figure 6 shows the forecasted year-end uncommitted balance under both scenarios through 2007.

Figure 6: Trust Fund's Projected End-of-Year Uncommitted Balance under Vision 100 and President's Budget Proposal



Source: GAO analysis of FAA data.

While the President's budget calls for making a smaller appropriation available from the Trust Fund than under Vision 100, largely due to reductions in the AIP, it calls for greater reliance on the Trust Fund to fund FAA's operations. Vision 100 uses the formula created in AIR-21 to determine how much funding for FAA operations should come from the Trust Fund, but the President's budget proposal does not use this formula. Under Vision 100, the formula makes the amount of Trust Fund revenue that will be authorized for FAA operations and RE&D in a given year equal to projected Trust Fund revenues (as specified in the President's budget) minus the authorizations for the capital accounts (AIP and F&E) in that year. Thus, under Vision 100, the Trust Fund is projected to support $4.6 billion of FAA's operations, or 57 percent. In contrast, the President's budget specifies a set amount of Trust Fund revenue to be used for FAA operations. Therefore, if Congress enacts the President's budget request for FAA, the Trust Fund would provide $5.4 billion for FAA's operations in 2007, or 65 percent of its total estimated cost for operations.

Although the Trust Fund is projected to have a surplus at the end of 2007 under each of the expenditure proposals, this projection depends to a significant extent on achieving forecasted commercial passenger traffic levels and airfares, as they have the largest impact on the amount of revenues flowing into the Trust Fund. We recognize that it is difficult to anticipate future events that may significantly affect the demand for air travel, particularly since FAA makes a forecast that is contained in the President's budget based on information available in the first quarter of the preceding fiscal year. However, our analysis shows that for each of the last 5 years, FAA's projected revenue forecast for the President's budget was higher than the actual amount of revenue received, as shown in figure 5.

Given the differences in recent years between the forecasted revenue and actual amount of revenue received, we conducted sensitivity analyses to estimate what would happen to the Trust Fund's uncommitted balance if Trust Fund revenues in 2006 and 2007 fall below the levels that FAA projected in March 2006.[6] For example, table 2 shows the projected Trust Fund balances under Vision 100 and the President's proposal and the impact if revenues, for whatever reason, are 5 percent or 10 percent less than currently projected. If revenues are 5 percent lower than projected, which they were in 2001, the Trust Fund would have a small but positive uncommitted balance under both expenditure proposals—Vision 100 and the President's budget proposal. However, if the revenues were 10 percent lower than projected, as they were in 2004, the uncommitted balance would drop below half a billion dollars under the President's proposal and would fall to zero by the end of 2007 under Vision 100.

[6]We did not conduct a sensitivity analysis beyond 2007 because both the current FAA authorization and the excise taxes that fund the Trust Fund are scheduled to expire at the end of 2007, making it difficult to project the long-term financial outlook of the Trust Fund.

Table 2: Sensitivity Analysis of the Trust Fund's Uncommitted Balance to Revenue Shortfalls

Dollars in million			
Revenue scenario showing projected uncommitted balance		**Fiscal year**	
		2006	**2007**
Baseline uncommitted balance as of March 2006	Vision 100	$1,722	$1,718
	President	1,722	2,706
If revenues are 5 percent less than projected	Vision 100	1,189	595
	President	1,189	1,582
If revenues are 10 percent less than projected	Vision 100	657	0
	President	657	459

Source: GAO Analysis of FAA data.

We believe these scenarios raise concerns because, in the past, the Trust Fund's uncommitted balance was used to offset lower-than-expected Trust Fund revenues and decreased general fund contributions. FAA could help address these concerns by continuing to look for ways to improve efficiency and reduce costs. However, the zero-balance scenario would most likely have implications for Congress in funding FAA programs.

To keep the Trust Fund from declining, the Congress could use an alternate basis for authorizing and appropriating money out of the Trust Fund that does not rely on the revenue forecast in the President's budget. One alternative that would still maintain the link between revenues and spending would be for appropriations from the Trust Fund to be based on the actual Trust Fund revenues from the most recent year for which data are available. That would mean, for example, that the Congress would appropriate for 2007 the Trust Fund revenues received in 2005. Although that would make it less likely that the Trust Fund balance would decline further, it could also mean that a smaller appropriation would be made available for aviation. Whereas Trust Fund revenues in 2005 were about $10.8 billion, the President's budget for 2007 forecasts Trust Fund revenues of about $11.8 billion.

Future Policy Decisions Will Affect the Trust Fund Balance beyond 2007

Future policy decisions concerning spending for aviation will affect the Trust Fund balances beyond 2007. If general fund appropriations for FAA's operations are maintained at recent levels, future projected Trust Fund revenues under the current tax structure may be insufficient to pay for the expenditures that FAA says are needed to maintain and modernize the current system. According to FAA, its aviation infrastructure is aging, and replacing it will cost $32 billion. Even more, Trust Fund revenues would be needed to pay for those expenses if general fund appropriations for operations are reduced. Insufficient Trust Fund revenues could result in critically needed capacity-enhancing air traffic control modernization investments being deferred or canceled at a time when commercial activity is returning to or exceeding pre-September 11 levels.[7]

Funding Will Be Needed for the Next Generation Air Transportation System

In addition to costs projected just to maintain FAA's current system, additional capital expenses are on the horizon to modernize the system. Vision 100 directed the administration to develop a comprehensive plan for a Next Generation Air Transportation System (NGATS) that can accommodate the changing needs of the aviation industry and meet air traffic demands by 2025. The act chartered the Joint Planning and Development Office (JPDO) within FAA to coordinate federal and private-sector research related to air transportation. FAA leads the interagency effort that leverages expertise and resources within the Departments of Transportation, Defense, Homeland Security, and Commerce as well as at the National Aeronautics and Space Administration and the White House Office of Science and Technology Policy. The Congress appropriated $5 million to FAA in seed money in 2005, and appropriated $18 million to FAA for JPDO in 2006, while additional funding and in-kind support comes from the participating agencies. For 2007, the President's budget requests $18 million for JPDO critical system engineering and planning efforts for

[7] We note that the Trust Fund projections for 2008-2011 contained in the President's budget show a large increase in the fund's uncommitted balance, reaching $15.5 billion by the end of 2011. Officials at the Office of Management and Budget told us that the underlying assumption for the commitment of budget resources from the fund that yields this projection is based on administration policies for reducing—or limiting the increase in—nondefense, nonhomeland security discretionary spending. Thus, the projection does not account for challenges particular to any agency, such as FAA's projected increase in workload or future air traffic control modernization spending. Accordingly, we think the $15.5 billion projection is of limited value.

NGATS, as well as funding for two NGATS systems at a combined cost of $104 million.[8]

JPDO published the *Integrated Plan for the Next Generation Air Transportation System* in December 2004, but the plan did not specify what new capabilities would be pursued or how much they would cost to implement and maintain. Vision 100 also directed that an annual progress report, including any changes to the Integrated Plan, be submitted at the time of the President's budget request. In March 2006, JPDO published its *2005 Progress Report to the Next Generation Air Transportation System Integrated Plan* and reported it is working to identify the longer-term costs. JPDO conducted a financial analysis of the air traffic management portions of NGATS, including examining the existing 2025 operational vision, to understand the hardware and software components that may be required to implement NGATS. However, because of the high level of uncertainty in some areas and a significant number of assumptions in others, JPDO reported more work is required before this analysis can be useful and credible.[9] A clear understanding of proposed future capabilities for NGATS (and how they will be paid for) will be important as the Congress prepares to reauthorize FAA programs and explores financing mechanisms.

Continued Efforts for Cost Control Are Necessary

While FAA has made great efforts in its cost-control program, cutting costs will remain a challenge for FAA well into the future. In 2005, FAA outsourced its flight service stations to a private contractor, resulting in total savings estimated at $2.2 billion. Also in 2005, FAA put in place a number of cost-control initiatives that affected smaller programs and that, if successful, will generate smaller levels of savings. We are reviewing options to fund FAA, at the request of this subcommittee, and we will address this issue in detail later this year.

[8]The President's fiscal year 2007 budget requests $80 million for the Automatic Dependent Surveillance-Broadcast system to replace antiquated radars and outmoded technology. The budget also requests $24 million to begin developing System Wide Information capabilities that will make advanced information distribution and sharing capabilities possible.

[9]In order to address these matters and to better understand the costs and benefits of NGATS, JPDO has asked the NGATS Institute to host a forum in the spring of 2006, so that the critical assumptions and uncertainties underlying any cost-benefit effort can be scrutinized and validated. In addition, further detailed studies will focus on the near-term costs and benefits that will be used to inform agency planning activities over the next 5 years. JPDO will then expand its cost analysis to consider the expected total systems costs for NGATS.

Although FAA has initiated several of these cost-control measures, these initiatives alone cannot reduce expenses enough to free up sufficient Trust Fund revenues to pay for the expenditures that FAA says are necessary to maintain and modernize the current airspace system, let alone finance future NGATS initiatives. Through the reauthorization process, the Congress will determine both the level of appropriations for aviation and the way in which that commitment will be funded. Congressional decisions pertaining to the link between annual Trust Fund revenues and appropriations made available for aviation programs, as well as the method for funding the Trust Fund, will continue to influence future Trust Fund balances.

To assess the current financial status and projected financial viability of the Airport and Airway Trust Fund, we obtained financial data from FAA and interviewed FAA officials familiar with the information. To assess the comparisons of Vision 100 with the President's budget, we analyzed the legislation and the administration's 2007 budget proposal. We used a sensitivity analysis to project what would happen if Trust Fund revenues in fiscal years 2006 and 2007 were 5 percent and 10 percent lower than the levels projected by FAA in March 2006 under each of these proposals. Accordingly, our findings on the financial outlook of the Trust Fund are based on GAO projections, not FAA's. We performed our work in February and March 2006 in accordance with generally accepted government auditing standards.

Mr. Chairman, this concludes my prepared statement. At this time, I would be pleased to answer any questions that you or other Members of the Subcommittee may have.

GAO Contact and Staff Acknowledgments

For further information on this testimony, please contact Dr. Gerald Dillingham at (202) 512-2834 or dillinghamg@gao.gov. Individuals making key contributions to this testimony include Chris Bonham, Jay Cherlow, Tammy Conquest, Colin Fallon, David Hooper, Maureen Luna-Long, Maren McAvoy, Rich Swayze, and Matt Zisman.

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