

Trust Fund: Summary of FAA's Major Principles

- **The time is now to focus on the importance and time-criticality of FAA funding.**
The current system of taxes does not expire until September 2007, but we have started the conversation well ahead of time. Historically, this has been a difficult debate, and there is no cushion in the Trust Fund to tide us through a lapse in funding.
- **The current system is vulnerable.**
There are many uncertainties about the future shape of the aviation system—from RJs to business jets to microjets to ticket yields. There are a number of scenarios that could result in Trust Fund revenues and FAA costs continuing to diverge. To protect ourselves and our stakeholders from these scenarios, we need a funding mechanism that is responsive to changes in the industry.
- **The general fund contribution is critical, but getting more general fund dollars will be difficult.**
There are some very compelling arguments for why we should maintain our general fund contribution. However, increasing that contribution runs into the reality of budget deficits and increasing entitlement spending, as well as other agencies that also have compelling needs. We will have this discussion in the Administration and with Congress, but the trend in the general fund contribution is clear and an increased contribution is an unlikely solution.
- **A cost-based revenue mechanism is needed.**
There are many distorted behaviors in the current system because there isn't any direct link between the use of the resources and payment for them. This is often referred to as the "open bar" concept - - there is no incentive to moderate behavior. As a result, often times, valuable and scarce resources are not being utilized in the best way. The FAA needs a consistent, stable revenue stream that is not tied to the price of a ticket.
- **The FAA needs continued focus on cost control.**
We understand that FAA cost control is imperative; we want any new funding structure to continue to give us strong economic and governance incentives to control costs, while giving users incentives to utilize resources wisely and make cost-saving technological upgrades.
- **User pays means user says.**
We recognize that if users are financing the system, those users expect a seat at the table in making key resource allocation decisions. Changes in oversight of capital investments and operating plans may be necessary under different funding mechanisms.
- **Stakeholders must be treated equitably.**
We realize that there are many different ideas of what this phrase means in practice—and the devil is, of course, in the details. However, we expect that fair and equitable treatment is a basic principle all stakeholders share.
- **Continued consultation with *all* stakeholders is critical.**
It is clear from stakeholder comments and from international experience that in any model the service provider must have regular consultations and feedback from all stakeholders. We intend to continue the conversation as we move through the process.