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CBO STUDY ON THE AIRPORT AND AIRWAY TRUST FUND

The Airport and Airway Trust Fund has accumulated a surplus of \$5.8 billion since it was established in 1971. Since this surplus has grown during a period of increasing congestion in the aviation system and of mounting public concern about safety, its existence has generated substantial controversy. Some see the surplus as evidence that the federal government is not spending enough on aviation capital development, and that it has been hoarding the aviation excise taxes imposed to finance capital development. The CBO report, *The Status of the Airport and Airway Trust Fund*, prepared for the Senate Budget Committee, analyzes the sources and implications of the accumulated surplus in the fund, and provides some options the Congress might wish to consider for the future financing of aviation programs.

The purpose of the trust fund is to account for the receipt and expenditure of revenue from aviation excise taxes earmarked for spending on aviation programs. The trust fund currently finances more than the capital costs of the aviation system, but it does not finance all of the costs that private-sector users impose on the system. Instead, private-sector users have received a subsidy out of the government's general fund of \$17 billion since the start of the trust fund. The subsidy is the difference between the private-sector share of Federal Aviation Administration spending and aviation-related excise tax revenue. Under CBO's baseline projections, the general fund would continue to subsidize private-sector users of the aviation system through 1994, and this subsidy would grow significantly as a result of the 50 percent tax rate reduction projected to take effect in 1990 under provisions of the Airport and Airway Safety and Capacity Expansion Act of 1987. With the tax rate reduction, the subsidy would total \$18.9 billion between 1989 and 1994, and the public sector (general tax-payers) would pay nearly four times its share of \$6.4 billion for aviation spending in the same period.

The options in CBO's report include eliminating the tax rate reduction, restructuring the trust fund as a capital-only account, or restructuring the fund as a full user-pay system. According to the report's analysis, eliminating the tax rate reduction would reduce the general fund subsidy of users of the system by \$10.1 billion but would continue the confusion surrounding trust fund balances, since the fund is neither a capital-only nor a full user-pay account but a hybrid of the two. Restructuring the trust fund as a capital-only account would earmark aviation excise taxes only for capital spending and would set their rates just sufficient to cover that spending, but would also result in a general fund subsidy to private-sector users of \$12 billion in the 1989-1994 period. Restructuring the trust fund as a full user-pay system would eliminate general fund subsidies and make the financing of aviation services more equitable, but would require a substantial increase (about 40 percent) in aviation excise tax revenue.

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