CONGRESSIONAL BUDGET OFFICE
PAY-AS-YOU-GO ESTIMATE

March 29, 1999

S. 643
Interim Federal Aviation Administration Authorization Act

As cleared by the Congress on March 24, 1999

S. 643 would extend the airport improvement program (AIP) for two additional months, from March 31, 1999, through May 31, 1999. Under current law, $1,205 million in AIP contract authority (a mandatory form of budget authority) is available for obligation through March 31, 1999. S. 643 would provide an additional $402 million in contract authority, for a total of $1,607 million that could be obligated through May 31, 1999.

Consistent with the Budget Enforcement Act, CBO's baseline projections assume that a full year of contract authority ($2,410 million, derived by doubling the half-year amount provided last fall) will be provided for AIP in fiscal year 1999. S. 643 would provide $201 million a month for two months; that amount is equal to the monthly rate reflected in the annual baseline total of $2,410 million. Therefore, enacting S. 643 would have no net impact on AIP contract authority relative to the baseline. Expenditures from AIP contract authority are governed by obligation limitations contained in appropriation acts, and thus, they are categorized as discretionary outlays. Enacting S. 643 would not affect obligation limitations and thus would have no direct effect on AIP outlays.

Since contract authority is a mandatory type of budget authority, it is a form of direct spending and pay-as-you-go procedures apply to the bill. Only changes in outlays from direct spending and changes in receipts have pay-as-you-go effects, however, and providing additional contract authority to AIP would not affect either of those.

S. 643 also would extend the authorization for the Federal Aviation Administration's (FAA's) aviation insurance program through May 31, 1999. Under current law, the program will end on March 31, 1999. The aviation insurance program insures aircraft operations that are deemed essential to the foreign policy interests of the United States when commercial insurance is unavailable on reasonable terms. The program is financed through the Aviation Insurance Revolving Fund, which is supported by premiums paid for coverage (for "premium insurance"), one-time binder fees paid by the airlines (for "nonpremium insurance"), and interest on investments of the revolving fund in U.S. Treasury securities.

Extending the aviation insurance program could cause an increase in direct spending if new claims would result. But historical experience suggests that claims under this program are very rare; therefore, extending this program for two months would probably have no significant impact on the federal budget.

The CBO staff contact for this estimate is Victoria Heid Hall. This estimate was approved by Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.