



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

September 21, 2007

**H.R. 3540
Federal Aviation Administration Extension Act of 2007**

*As ordered reported by the House Committee on Ways and Means
on September 18, 2007*

SUMMARY

H.R. 3540 would extend, through the end of calendar year 2007, the existing taxes that are dedicated to the Airport and Airway Trust Fund and are set to expire on September 30, 2007. The Joint Committee on Taxation (JCT) estimates that enacting H.R. 3540 would have no effect on revenues relative to the current baseline projection for taxes dedicated to the trust fund.

The bill also would extend, through the end of calendar year 2007, the authority to expend amounts from the trust fund (including interest) for major programs administered by the Federal Aviation Administration (FAA). CBO estimates that implementing the bill would increase discretionary spending by \$3.1 billion over the 2008-2012 period by authorizing appropriation of revenues expected to be collected during the first three months of fiscal year 2008. Enacting the bill would not affect direct spending.

JCT has determined that the bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COSTS TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3540 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

By Fiscal Year, in Millions of Dollars

	2007	2008	2009	2010	2011	2012
--	------	------	------	------	------	------

SPENDING SUBJECT TO APPROPRIATION

Spending from the Airport and Airway

Trust Fund under Current Law

Authorization Level ^a	11,846	0	0	0	0	0
Estimated Outlays	12,310	4,714	1,944	744	214	35

Proposed Changes

Estimated Authorization Level ^b	0	3,091	0	0	0	0
Estimated Outlays	0	2,782	278	31	0	0

Spending from the Airport and Airway

Trust Fund under H.R. 3540

Estimated Authorization Level	11,846	3,091	0	0	0	0
Estimated Outlays	12,310	7,496	2,222	775	214	35

a. The 2007 level is the amount of discretionary budgetary resources provided from the Airport and Airway Trust Fund for that year for major FAA programs. Discretionary budgetary resources include appropriations for FAA operations, facilities and equipment, and research programs as well as limitations on the obligations of contract authority for the Airport Improvement Program. It does not include additional amounts appropriated to the FAA from the General Fund.

b. The estimated level is for one-quarter of fiscal year 2008. If funded for the full year, that amount would total approximately \$12.4 billion.

BASIS OF ESTIMATE

For this estimate, JCT and CBO assume that H.R. 3540 will be enacted near the start of fiscal year 2008 and that appropriation actions consistent with the bill will be taken in fiscal year 2008.

Revenues

The existing excise taxes that are dedicated to the Airport and Airway Trust Fund are scheduled to expire on September 30, 2007. The taxes consist of levies on transportation of persons and property by air, use of international air facilities, and use of aviation fuels and are estimated to generate revenues of over \$11 billion in fiscal year 2007. The bill would extend all of the taxes at the current rate through the end of calendar year 2007.

Under the projection rules in section 257 of the Balanced Budget and Emergency Deficit Control Act, which are followed for Congressional scorekeeping purposes, estimates of the revenue effects of the legislation assume that expiring excise taxes dedicated to a trust fund are extended indefinitely and are measured relative to a baseline that assumes that the expiring excise taxes are extended at the same rates that would be in place immediately before their scheduled expiration. As a result, JCT estimates no change in revenue from the three-month extension in this bill.

Spending Subject to Appropriation

By extending, through the first three months of fiscal year 2008, the authority to expend amounts from the Airport and Airway Trust Fund, CBO estimates that the bill would authorize appropriations of the amounts that CBO estimates would be deposited in the fund during that three-month period—about \$3.1 billion. Assuming appropriation action consistent with the bill, CBO estimates that implementing H.R. 3540 would increase discretionary spending by \$3.1 billion over the 2008-2012 period. (If the funding were authorized for the entire fiscal year, it would yield a total annualized amount of \$12.4 billion.)

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

JCT has determined that the bill contains no intergovernmental or private-sector mandates as defined in UMRA.

PREVIOUS CBO ESTIMATE

On September 18, 2007, CBO transmitted a cost estimate for H.R. 3539, the Airport and Airway Trust Fund Financing Act of 2007, as ordered reported by the House Committee on Ways and Means on September 18, 2007. Differences in JCT's estimates of revenues result from provisions in H.R. 3539 that would increase the excise tax rates on noncommercial aviation-grade kerosene and aviation gasoline. JCT also determined that increasing the tax rate on aviation-grade kerosene would impose a private-sector mandate as defined in UMRA. In addition, CBO's estimate of discretionary spending under H.R. 3539 reflects the four-year authorization contained in that bill.

ESTIMATE PREPARED BY:

Federal Revenues: Barbara Edwards

Federal Spending: Megan Carroll

ESTIMATE APPROVED BY:

Peter H. Fontaine

Assistant Director for Budget Analysis

G. Thomas Woodward

Assistant Director for Tax Analysis