

CBO ESTIMATE OF DIRECT SPENDING AND REVENUE EFFECTS OF ENACTING H.R. 2997, 21ST CENTURY AVIATION INNOVATION, REFORM, AND REAUTHORIZATION ACT, AS POSTED BY THE HOUSE COMMITTEE ON RULES ON JULY 11, 2017 (g:\VHLC\071117\071117.335.xml) ^a

	By Fiscal Year, in Billions of Dollars												2017-	2017-
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2022	2027	
INCREASES IN DIRECT SPENDING ^b														
Operators of the AANS Corporation														
Estimated Budget Authority	0.0	0.0	0.0	0.0	12.6	13.0	13.4	13.8	14.2	14.6	15.1	25.6	96.7	
Estimated Outlays	0.0	0.0	0.0	0.0	9.3	11.6	12.7	13.6	14.1	14.5	15.0	20.8	90.7	
Civil Service Retirement and Health Benefits														
Estimated Budget Authority	0.0	0.0	0.0	*	*	*	*	*	*	*	*	*	*	
Estimated Outlays	0.0	0.0	0.0	*	*	*	*	*	*	*	*	*	*	
Airport Improvement Program ^c														
Estimated Budget Authority	0.0	0.1	0.1	0.2	0.3	0.4	0.5	0.5	0.5	0.5	0.5	1.1	3.5	
Estimated Outlays	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total Changes														
Estimated Budget Authority	0.0	0.1	0.1	0.2	12.9	13.4	13.9	14.3	14.7	15.1	15.5	26.8	100.2	
Estimated Outlays	0.0	0.0	0.0	*	9.3	11.6	12.7	13.6	14.1	14.5	15.0	20.8	90.7	
INCREASES AND DECREASES (-) IN REVENUES														
Gross Changes in Revenues														
AANS Corporation Fees for Air Navigation Services	0.0	0.0	0.0	0.0	12.2	12.6	13.0	13.5	14.0	14.5	15.0	24.7	94.6	
Temporary Reductions in Aviation-Related Excise Taxes ^d	0.0	0.0	0.0	0.0	-12.5	-14.1	-14.6	-1.2	0.0	0.0	0.0	-26.6	-42.4	
Effects of Extending Reductions in Aviation-Related Excise Taxes ^e	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-14.0	-15.7	-16.3	-16.9	0.0	-62.8	
Offsetting Changes in Income and Payroll Taxes ^f	0.0	0.0	0.0	0.0	0.1	0.4	0.4	0.4	0.5	0.5	0.5	0.5	2.8	
Total Changes	0.0	0.0	0.0	0.0	-0.3	-1.1	-1.2	-1.2	-1.3	-1.3	-1.4	-1.4	-7.8	
NET INCREASE IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES														
Impact on Deficit	0.0	0.0	0.0	*	9.5	12.7	13.9	14.8	15.4	15.9	16.4	22.2	98.5	

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Table Continued.

Notes: AANS = American Air Navigation Services Corporation; * = between -\$50 million and \$50 million; Components may not sum to totals because of rounding.

- a. H.R. 2997 would establish the American Air Navigation Services Corporation, a federally chartered, not-for-profit corporation, to assume responsibility, starting in 2021, for operating the U.S. air traffic control system, a function currently performed by the Federal Aviation Administration (FAA). The proposed corporation would be governed by a 13-member board of directors composed of individuals representing certain aviation stakeholder groups. To finance the costs of providing air navigation services, H.R. 2997 would authorize the corporation to charge fees to users and to issue debt. Although the proposed corporation would be independent and autonomous, in CBO's view it would effectively act as an agent of the federal government in carrying out a regulatory function. Hence, in CBO's view the guidance specified by the *1967 President's Commission on Budget Concepts*, suggest that the proposed corporation's cash flows should be recorded in the budget. More specifically, fees charged by the proposed corporation should be recorded as federal revenues, and its expenditures should be classified as federal direct spending.
- b. Implementing H.R. 2997 also would affect spending subject to appropriation. The bill would authorize appropriations for the FAA and Department of Transportation (DOT) to continue to operate all functions related to civil aviation—including those related to air traffic control—through 2020. Starting in 2021, the AANS Corporation would assume operational control over the air traffic control system. The FAA and other offices within DOT would retain responsibility for certain regulatory and safety-related functions and programs that provide grants to airports to support capital projects and payments to air carriers that provide service to certain rural communities. H.R. 2997 would authorize appropriations over the 2021-2023 period for the FAA and DOT to carry out those residual activities. Section 643 of the legislation would amend 2 U.S.C. 901 to require the Office of Management and Budget to reduce, in 2021, statutory limits on discretionary spending by the amount of funding provided to the FAA for air traffic control in 2020. (According to the FAA, about \$10.7 billion of the agency's funding for 2017 is for activities primarily related to air traffic control.)
- c. Budget authority for the Airport Improvement Program is provided as contract authority, a mandatory form of budget authority; however, outlays from that contract authority are subject to limitations on obligations specified in annual appropriation acts and are therefore considered discretionary.
- d. Most aviation-related excise taxes are scheduled under current law to expire on September 30, 2017. Consistent with the statutory rules that govern the construction of CBO's baseline for expiring excise taxes dedicated to trust funds, that baseline incorporates the assumption that aviation related excise taxes are extended permanently at the rate in effect at expiration. H.R. 2997 would extend the aviation taxes through September 30, 2023, and provide for temporary reductions in the tax rates from October 1, 2020, through September 30, 2023. The staff of the Joint Committee on Taxation (JCT) estimate that those rate reductions would result in a gross revenue reduction of \$42.4 billion over fiscal years 2021 through 2024, and would have no effect on revenues thereafter.
- e. The subsequent CBO baseline after H.R. 2997 is enacted would incorporate the assumption that the reduced excise tax rates in effect on September 30, 2023, would be extended permanently. That baseline treatment for expiring excise taxes dedicated to trust funds reflects the statutory rules that govern construction of CBO's baseline. As a result, the associated excise tax revenues in the subsequent baseline would be lower than those in the current baseline not only during the period of the temporary reduction in the rates, but also in those later years. Because budget rules require that estimates of revenue effects of proposed legislation measure the subsequent change to the baseline, JCT estimates an additional gross revenue loss \$62.8 billion over the 2024-2027 period.
- f. Excise taxes and business fees such as those that would be imposed by the AANS Corporation reduce the base of income and payroll taxes. As a result, changes in those types of business charges would lead to partially offsetting changes in revenues from income and payroll taxes. JCT and CBO estimate that the offsetting change in income and payroll tax revenues equals roughly 26 percent of the gross change in revenues. On that basis, the agencies estimate that enacting H.R. 2997 would on net, increase revenues from income and payroll taxes by \$2.8 billion over the 2021-2027 period. That amount includes a \$24.6 billion reduction in income and payroll taxes stemming from new fees charged by the AANS Corporation and a \$27.4 billion increase attributable to changes in excise taxes.