September 27, 2006

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Highlights

Highlights of GAO-06-1114T, a testimony before the Subcommittee on Aviation, Committee on Transportation and Infrastructure, House of Representatives

NATIONAL AIRSPACE SYSTEM MODERNIZATION

Observations on Potential Funding Options for FAA and the Next Generation System

Why GAO Did This Study

The transition to the Next Generation Air Transportation System (NGATS)—a system intended to safely accommodate a possible tripling of air traffic by 2025—will become one of the federal government's most comprehensive and technically complex undertakings, and a preliminary estimate indicates it will also be expensive. However, the current approach to managing air transportation is becoming increasingly inefficient and operationally obsolete. In 2003, Congress authorized the creation of the Joint Planning and Development Office (JPDO) to coordinate the efforts of several federal partner agencies—including the Federal Aviation Administration (FAA), in which JPDO is housed—to plan for and develop NGATS.

GAO's testimony addresses (1) the current estimate and uncertainties over NGATS costs, (2) advantages and concerns that stakeholders have raised about the current approach to collecting revenues from national airspace users to fund FAA, (3) the advantages and disadvantages of adopting alternative funding options for FAA, and (4) the advantages and disadvantages of authorizing FAA to use debt financing for capital projects.

This testimony is based in part on GAO's analysis of FAA and JPDO documents and interviews with officials of those two agencies.

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What GAO Found

No comprehensive estimate of NGATS costs has been developed. However, an advisory committee to FAA has developed a limited, preliminary cost estimate, which has not yet been endorsed by any agency. This estimate suggests that with NGATS, FAA's costs would average about $1 billion more per year (in today's dollars) over the next 20 years than FAA's appropriations for fiscal year 2006. The estimate is preliminary in part because JPDO has not yet completed its enterprise architecture, (a blueprint for NGATS) which will be needed to inform a reliable cost estimate.

Some stakeholders support the current excise tax system because they believe it has been successful in funding FAA, has low administrative costs, and distributes the tax burden in a reasonable manner. Others, including FAA, state that under the current system, there is a disconnect between the revenues contributed by users and the costs those users impose on the national airspace system (NAS) that raises revenue adequacy, equity, and efficiency concerns. Trends over the past 25 years in, and FAA's projections of, both inflation-adjusted fares and average plane size suggest that the revenue collected under the current funding system has fallen and will continue to fall relative to FAA's workload, supporting revenue adequacy concerns.

Adopting alternative funding options to collect revenues from NAS users would have advantages and disadvantages. The degree to which alternative funding options could address concerns about the current excise tax system ultimately depends on the extent to which the contributions required from users actually reflect the costs they impose on the system. Given the diverse nature of FAA's activities, a combination of alternative options may offer the most promise for linking revenues and costs.

Allowing FAA to use debt-financing for capital projects, such as the replacement of facilities and equipment associated with the transition to NGATS, also presents advantages and disadvantages. Some stakeholders see debt financing as attractive because they believe it could provide FAA with a stable source of revenue to fund capital developments, while at the same time spreading the costs out over the life of a capital project as its benefits are realized. Debt-financing raises significant concerns, however, because it encumbers future resources, and expenditures from debt proceeds may not be subject to the same congressional oversight as expenditures from appropriations. Concerns about borrowing costs, oversight, and encumbering future resources are particularly important in light of the federal government's long-term structural fiscal imbalance.