



Highlights of [GAO-08-76](#), a report to congressional committees

Why GAO Did This Study

In January 2007 FAA reported the results of its study that assigned the fiscal year 2005 costs of its Air Traffic Organization (ATO) to users. FAA used this study to support the President's proposal to replace many current excise taxes with cost-based fees for commercial aviation users and higher fuel taxes for general aviation users. GAO assessed (1) the consistency of FAA's cost assignment methodology with established standards and guidance, (2) the support for selected cost assignment assumptions and methods, and (3) the impact of including budgeted capital costs in the cost baseline. GAO compared FAA's methodology to federal accounting standards and international guidance, reviewed available documents and analyses supporting FAA's assumptions and methods, and interviewed FAA officials and consultants.

What GAO Recommends

GAO recommends that FAA provide additional analysis and documentation of the basis on which it assigns costs to users. GAO also recommends that FAA monitor any difference between original and actual cost assignments for facilities and equipment. In commenting on a draft of this report, the Department of Transportation neither agreed nor disagreed with its findings, conclusions, or recommendations while stating that FAA's fiscal year 2006 cost allocation will address several of the issues identified in our report.

To view the full product, including the scope and methodology, click on [GAO-08-76](#). For more information, contact Jeanette Franzel at (202) 512-9471 or franzelj@gao.gov.

ASSIGNING AIR TRAFFIC CONTROL COSTS TO USERS

Elements of FAA's Methodology Are Generally Consistent with Standards but Certain Assumptions and Methods Need Additional Support

What GAO Found

With the federal government preparing for the next generation of air travel, the President, Congress, and users of the national airspace are considering alternative methods for funding air traffic control in the national airspace. To support a cost-based funding structure such as the current proposal from the President, FAA developed a methodology for assigning costs to users. Federal cost accounting standards and international guidance establish flexible principles for assigning costs and recognize that the selection of methods involves making choices that require balancing the cost of development and implementation with the benefit of precision in the resulting cost assignments. GAO found that the design of key elements of FAA's methodology was generally consistent with federal standards and international guidance. But GAO also identified matters related to the application of certain assumptions and cost assignment methods that need additional documentation and analysis.

Because building a methodology for assigning costs to users involves standards, alternative methodologies, and choices, documenting the decisions made and how they were made is important to allow users and others to assess whether the methodology and the structure of cost assignment is reasonable. FAA provided adequate support for its decision to assign costs based on whether the aircraft using air traffic control services are powered by turbine engines, such as jets, or piston engines, such as propeller-driven airplanes. However, FAA did not adequately document the basis on which it assigned costs to the aircraft groups or support its assumption that all types of aircraft with the same engine type affect costs in the same manner, leaving open the possibility that costs should be assigned to users differently. GAO also found that FAA's methodology does not take advantage of allocations already made in its cost accounting system, but instead aggregates the costs and then allocates them to aircraft groups. For some of these costs, such as employee benefit costs, a different method of allocation could have produced a more precise distribution between the groups.

A user fee designed to fund new facilities and equipment expenditures must provide funds equal to the annual budget for those expenditures. FAA's methodology includes adjusting current-year actual expenses to equal the budgeted amount for facilities and equipment costs. These adjustments are then assigned to users in the same proportion as are current acquisition, implementation, and depreciation expenses. But users of future facilities and equipment may be different from users of existing facilities and equipment. The manner in which the costs of facilities and equipment are assigned may, over time, result in assigning costs to users who are different from the ultimate users of future facilities and equipment once they become operational. Consequently, the implementation of this method warrants careful monitoring to avoid unintentional cross-subsidization among users.