

**Statement of Louise Frankel Stoll,  
Assistant Secretary for Budget and Programs and Chief Financial Officer,  
Department of Transportation,  
before the House Ways & Means Committee,  
on the Solvency of the Airport and Airway Trust Fund  
February 5, 1997.**

Mr. Chairman and Members of the Committee:

I welcome the opportunity to appear before you to discuss the solvency of the Airport and Airway Trust Fund. Joining me today is Monte Belger, Acting Deputy Administrator of the FAA. We appreciate the Committee's timely decision to hold this hearing as it is essential that Congress act quickly to renew the aviation excise taxes and extend Treasury's authority to make transfers to the Trust Fund in order to prevent unacceptable funding conditions in aviation, one of the nation's most significant industries.

Airport and Airway Trust Fund Balance

For nearly three decades the FAA has been funded largely by aviation excise taxes through the Airport and Airway Trust Fund. These include partial funding for FAA operations and full funding for facilities and equipment, airport grants and research. Those taxes lapsed on December 31 of last year. We urge this Committee to support their short-term renewal as promptly as possible, and to include the authority necessary to transfer taxes paid in January and February. Every day that the taxes are not collected results in a loss of approximately \$20 million in revenue to the Trust Fund.

We had previously projected that at the current rate of spending, the uncommitted balance of the Trust Fund would be depleted around July 1 of this year. However, we have recently learned that revenue collected through December 1996 will not be transferred to the Aviation Trust Fund without a change in legislative authority. So the uncommitted balance in the Trust Fund, \$1.9 billion, is all we have left for the remainder of fiscal year (FY) 1997. Funds for FAA capital programs will be depleted in March at current obligation rates. Thus the need for Congressional action is even more urgent. Unless Congress acts promptly to reinstate the taxes, the impact on the FAA, particularly its Capital Programs will be imminent and severe.

In light of these recent developments I have described above, we have carefully considered our options with the goal of moving forward in a manner that is both prudent and responsible.

Let me provide a complete explanation: \$5.3 billion of FAA's FY 1997 appropriation of \$8.6 billion was to come from the Trust Fund, and the remainder from the General Fund and overflight fees. The uncommitted Trust Fund balance available for FY 1997 was \$3 billion, and \$1.1 billion had been obligated as of January 31, leaving an uncommitted balance of \$1.9 billion in the Trust Fund. If the FAA is to live within Trust Fund limits and retain all its air traffic controllers and its regulatory, safety, and security staffs through the end of the fiscal year, action must be taken absent the reinstatement of the Ticket Tax. We have decided to dedicate the remaining uncommitted funds to pay for these essential operations until the fiscal year end, and to reduce drastically the

agency's capital accounts to make that possible. Dedicating funds for the regulatory, safety and security staffs would leave only \$500 million available for FAA capital programs, such as airport safety and security improvement grants, safety and security equipment purchases, and research efforts. The amount such programs normally obligate in 2 months, would be the total available for the rest of the fiscal year. That means severe limits on new obligations, Airport Improvement Program (AIP) grants will be halted, and existing contracts will be reviewed to determine whether stop work notices must be issued.

We are very aware that the results of this option are painful, but because our operational functions are our first priority, if the taxes are not restored we have no choice. The FAA will have to prepare to take steps almost immediately. Actions such as interrupting funding of FAA's capital programs could have repercussions beyond the FAA. The importance of aviation as a vital part of our nation's economy is clear. This is true not only in terms of the direct benefits provided for the millions of people who rely on air travel each year, but also in terms of the indirect benefits aviation provides. It has been estimated that aviation and related industries contributed almost six percent of our gross domestic product, and employed 8.8 million people in 1993. No one would deny the impact that aviation has on the efficiency and productivity of many businesses, in all sectors of the economy, that depend on the rapid and reliable service provided by the national air transportation system.

The results of the anticipated shortfall in funding if the taxes are not restored will not be just a temporary cessation of work, but will instead have a "ripple effect." This ripple effect can perhaps best be understood in the context of airport grants. If Trust Fund revenues are not restored, the delay in issuing AIP grants could cause airport sponsors, especially in the northern part of the country, to miss some or all of the 1997 construction season. The loss of the construction season would lead to increased costs for these projects and disruptions of existing construction schedules for phased projects. We urge reinstatement of the taxes until late September of the current fiscal year in order to permit the agency to continue carrying out its capital programs.

Before closing, Mr. Chairman, let me note that we are here today to urge quick action to reinstate the aviation excise taxes, not to advance a particular legislative solution for FAA's long-term financing needs. Aviation is a dynamic industry, and virtually all indicators suggest that it will continue to grow. Failure to restore the aviation excise taxes would have severe consequences for the nation's air travelers, causing delays in bringing on line much-needed modernization programs that will enhance the system's overall safety, efficiency and capacity. An immediate renewal of the authority for the Department of the Treasury to transfer receipts into the Trust Fund, and a short-term extension of the taxes to carry us through this period of deliberations and studies of long-term financing solutions for the FAA, would be the best way to avoid costly and disruptive interruptions to FAA and the aviation industry.

That concludes my prepared statement. I would be pleased to respond to any questions you may have at this time.