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Senate Should Not Take FAA Spending Off Budget

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In 1999, the U.S. House of Representatives passed H.R. 1000, the Aviation Investment Reform Act for the 21st Century (AIR 21), by a veto-proof majority and sent it to the Senate with the expectation that the upper chamber would support its unprecedented violation of fiscal integrity. Put forth originally by House Transportation and Infrastructure Committee Chairman Bud Shuster (R–PA), AIR 21 would place the Airport and Airway Trust Fund off budget and guarantee federal aviation programs minimum funding levels from general federal revenues over and above revenues derived from dedicated aviation taxes.

Strong Senate opposition to AIR 21—led by Senators Pete Domenici (R–NM), Frank Lautenberg (D–NJ), Richard Shelby (R–AL), and Ted Stevens (R–AK)—is based on concerns that the bill's proposals are fiscally irresponsible and would establish a precedent that other federal programs could use to avoid the discipline of the congressional budget process. The Senate has passed its own bill, the Air Transportation Improvement Act (S. 82), sponsored by Senator John McCain (R–AZ), which would authorize less spending than AIR 21 and make no change in the budgetary status of the Federal Aviation Administration (FAA). Achievement of a House–Senate compromise remains elusive, since the Senate refuses to accept AIR 21's budget-busting provisions, and authorization for FAA's Airport Improvement Programs has expired.

If AIR 21 were enacted and the aviation trust fund were placed off budget, federal aviation spending would be exempt from all congressional budget control mechanisms and afforded a level of protection now provided only to Social Security. Spending control mechanisms that no longer would apply include budget caps established by the Balanced Budget Act (BBA) of 1997, pay-as-you-go rules, annual congressional oversight and review, and other statutory budget limitations.

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Advocates of AIR 21 argue that the off-budget privilege would prevent the diversion of tax revenues generated by the airline industry and its passengers to non-aviation spending, tax relief, or debt reduction. But if FAA spending were redefined as off budget, future aviation spending could be increased at rates above those permitted for such other unprotected programs as national defense, education, and law enforcement.

If AIR 21 were adopted by Congress and signed into law, its provisions would mark a major setback in Washington's long struggle to control spending, reduce taxes, and pay down the debt. Specifically:

- **Responsible public finance decisionmaking would be more difficult, because one program would be given more protection and privileges than the rest.** Moving aviation spending off budget would undermine any remaining notion of fiscal discipline in Congress. Moreover, giving the FAA guaranteed minimum levels of funding out of general revenues would provide it with an added—and costly—privilege.

- **Congressional and presidential oversight of federal programs would be weakened.** As Senate Budget Committee Chairman Pete Domenici has observed, "Off-budget gimmicks or 'firewalls' reduce management and oversight of the FAA by taking trust fund spending out of the budget process. That's a bad idea—we should not place the FAA and the trust fund on permanent autopilot." Moving aviation spending off budget would deprive Congress and the President of what little leverage they have to induce the notoriously troubled FAA to achieve higher standards of performance. Diminishing oversight of a federal department that earned a "high risk" designation by the U.S. General Accounting Office would be irresponsible.

- **Off-budget protection would diminish opportunities for reform.** Once a program is moved off budget, it is no longer subject to annual budget review, appropriations, or periodic authorization. As a result, Congress would have fewer opportunities to review the FAA or encourage it to adopt fundamental reforms that today are sweeping commercial aviation, especially abroad. These include privatization of more than 60 airports in the past three years, outsourcing of various component activities, and privatization–corporatization of the air traffic control systems in Canada and more than a dozen other countries. By locking up the program for five years and placing its funding off budget, AIR 21 would ensure that the earliest reform opportunity could not occur until 2005.

- **The federal budget would be even more misleading than it is today.** Removing aviation funding from the budget would understate the size of the federal government by excluding a multibillion-dollar program. In fiscal year 1999, off-budget spending amounted to $321 billion; when other non-discretionary ("mandatory") spending is added to this amount, over 66 percent—or $1.2 trillion of the $1.7 trillion in federal outlays—is essentially untouchable in the annual budget process. Programs not lucky enough to warrant "off budget" or "mandatory" designations, including defense, public health, criminal justice, and education, bear the brunt of any budget restraint necessary to meet overall fiscal objectives.

- **Supporters of other programs would seek similar protection.** At present, only Social Security receives off-budget protection in recognition of its extreme political sensitivity and the essential benefits it provides to a large and vulnerable portion of the population. No such significance applies to the FAA's spending programs, the chief beneficiaries of which are for-profit airlines, recreational pilots, and weekend hobbyists. If programs that benefit commercial aviation are placed off budget, other federal programs of potentially greater significance to vulnerable constituencies or the nation's well-being would be likely to demand, and perhaps receive, the same protection.

Although the House voted overwhelmingly to pass AIR 21 and move aviation spending off budget, the bill's prospects are uncertain because of the Senate's record of firm opposition to the sort of budget gimmicks included in this bill. At present, the Senate-passed alternative (S. 82) proposes spending less than AIR 21, offers no minimum guarantees from general revenues, and would keep the trust fund on budget where it belongs. As such, it offers Washington a fiscally responsible alternative to AIR 21's fiscal excess.

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