

**Financing the FAA:
Comparisons of Existing and Alternative Systems to Provide Funding for
Development and Operation of the National Airspace System**

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The ongoing debate between alternative systems of financing the FAA has evolved to a discussion of efficiency, fairness, and administrability for the users of the National Airspace System. The conflict over alternative systems of charges was clearly articulated in hearings held before the Subcommittee on Aviation of the Committee on Transportation and Infrastructure of the House of Representatives on February 5 and 13, 1997.

On one hand, testimony by many individuals, most notably General Aviation, suggested that the existing system of taxation based on ticket price, cargo waybills, and fuel taxes roughly approximates the costs of the system for all classes of users. On the other hand, many persons, notably representatives of the 7 largest airlines in the United States, noted that the current system is not based on factors related to the user's share of the system's cost, and most likely does not fairly allocate costs of the NAS among users.

This paper examines selected alternative methods of financing the NAS, and presents information on the consequences to major system users of alternative financing mechanisms. The paper examines alternatives that have been proposed either in the United States or other nations; no new financing mechanisms have been developed. A critical factor in examining these alternatives is that under all alternatives there is likely to be controversy based on perceptions of who is paying a fair share of the costs of the system. This controversy is exacerbated by the fact, documented in the recent study by Coopers & Lybrand, that the FAA does not currently have a cost accounting system that would allow a more detailed, ongoing examination of the costs of operating the NAS. However, despite the lack of a cost accounting system, Arthur Anderson and Coopers & Lybrand concluded that the GRA Cost Allocation study can provide an appropriate basis for an interim set of user fees.

Coopers & Lybrand noted that "...the FAA's ability to transform itself is critically dependent upon implementing a cost accounting system and using the information to make more informed investment and operating decisions." The FAA had already recognized that, in order for it to operate like a multi-billion dollar business, it needs enhanced cost management capability and detailed cost information. To meet those needs, the agency drafted general functional requirements for cost accounting system (CAS) and purchased a COTS software package powerful enough to fulfill the functional requirements currently being developed by the individual lines of business (LOBs). The proposed system will go beyond the current FAA accounting system in that it will focus on the costs to provide services to users of the system rather than focus on accounting for expenditures within the FAA. GAO and others have noted that the FAA accounting system does a good job of accounting for expenditures; the recommendation from Coopers and Lybrand goes beyond the norms of a government accounting system and on to a system more like those used by major service providing firms in the private sector.

The Concept of User Fees and Legal Requirements

In a study published in 1993, the Congressional Budget Office (CBO) noted that User Fees serve two functions: (1) allocating resources and (2) distributing of costs in line with benefits received. CBO also noted that User Fees should raise funds in ways that are relatively easy to administer. The fundamental concept behind User Fees is that they should be tied fairly closely to a good or service provided by the government to a specific class of users of that good or service. Finally, CBO noted that if the proceeds of user fees are subject to Congressional appropriation, the political system also plays a role. The taxes collected for the Trust Fund appear to straddle the ground between general revenue taxes and a true user fee.

There are both international and domestic requirements that must be met in order for the FAA to impose user fees for air traffic services in the United States. On the domestic side, in the Independent Offices Appropriations Act (31 U.S.C. 9701), Congress granted the head of each agency the ability to write regulations establishing a charge for a service or thing of value provided by the agency. These fees must be fair and based on four principles: (1) the costs to the Government; (2) the value of the service or thing to the recipient; (3) public policy or interest served; and (4) other relevant facts. This law allows federal agencies to recoup costs from identifiable parties who receive specific services from agencies. While this law allows the FAA to collect user fees, it does not allow FAA to spend the user fees without going through the normal budget and appropriations process. Based on the underlying statute, OMB has produced detailed guidelines for agencies to consider when establishing user fees; an outline of these guidelines are contained in Appendix A.

There are also international requirements for the imposition of ATC-related user fees. The United States is a member of the International Civil Aviation Organization (ICAO) and is a signatory to numerous international treaties, agreements, memorandum of understanding and contracts involving air transportation. According to U.S. law, any proposed user fee structure in the United States must “act consistently with the obligations of the United States government under an international agreement”. ICAO guidelines about the imposition of user fees mandate that domestic and international carriers pay under “uniform conditions” for airport and air navigation services charges, and that any system must be nondiscriminatory. The basic principle of law is that the U.S. government cannot impose higher taxes (or burdens) on a foreign operator than it does on a domestic operator; nor can it treat similarly situated persons differently. The exception to this is when there is a rational relationship between the difference in charges and a legitimate state purpose. The following are examples of what is NOT considered to be a legitimate state purpose:

- Promoting the profitability of American carriers over foreign carriers
- Assessing higher costs on foreigners than on Americans
- Charging foreigners for services Americans receive for free

The following are examples of current user charges opposed by international organizations because they are inequitable, excessive and/or discriminatory as well as contrary to the Chicago Convention, ICAO Resolutions, and to various bilateral air agreements:

- a departure tax to be collected on tickets and remitted by the airlines;
- a tax imposed on air carriers on the basis of the number of passengers enplaned at airports,
- to subsidize airlines operating unprofitable domestic routes;
- a tax imposed on fuel purchased by non US carriers, to defray the cost of cleaning leaking underground storage tanks; and
- a foreign country's tax on jet fuel.

User Fees as Generators of Performance Improvements

In the debate over providing funding the FAA, there are two schools of thought regarding user fees: (1) that their purpose is solely to generate revenue in accordance with the OMB directives, and (2) that their purpose is also to motivate the FAA to provide better, cheaper services to users. The thrust of the second point is that the user fees should provide an internal incentive to reform the business practices of the FAA to more closely align with the needs of the Agency's customers such as pilots, airlines, and the flying public. Under this philosophy, performance improvement would be achieved by measuring and publicly reporting the level of services, as well as the costs and benefits of those services.

Performance-based user fees can be focused on measuring and improving the level of service provided, such as the description of the improvements the Commission received about the approval of new drugs at the Food and Drug Administration. It is possible to develop a system for calculating user fees based on actual costs, while continually measuring and improving service quality and directing some of the savings into future service improvements or returning them to the system users.

It is clearly beneficial that service, cost, and performance be continually measured and improved. From the users' perspective, several benefits could result if the FAA transitions to performance-based user fees. Benefits would likely include better services at lower cost, increased economic vitality of aviation corporations, a stronger airline industry, and an international competitive advantage. They might also include user insight into what drives FAA service performance and an actual or perceived increase in the FAA's willingness to listen to users' service improvement suggestions.

Finally, there are a number of key components regarding performance measurement to complement revenue-generating user fees:

- Every service should have at least one measure associated with it;
- Measure only what is useful and can be acted upon, not what is easy to measure;
- Reliable, accurate, consistent, timely data must be available for calculating each measure;
- Make the individuals responsible for each service some of the key players in the measurement and reporting of that service;
- Measurement results should be made visible to those who can impact service levels as well as those who use the services;
- Current performance and trend information should be reported; unusual results and circumstances should be explained.

USER FEE OPTIONS

User Fee Proposal Made by the Coalition for FAA Fair Funding

In the spring of 1996, seven of the major airlines, in concert with 69 carriers of the Regional Airline Association, developed a user fee plan. The seven airlines are American Airlines, Continental Airlines, Delta Air Lines, Northwest Airlines, Trans World Airlines, United Airlines, and US Airways. The Coalition wrote in their user fee proposal that:

“The air traffic control system benefits all passengers regardless of how much they pay to travel. When the ticket tax was first imposed in the regulated environment of the 1970’s, all passengers paid the same price in every market. Congress clearly contemplated then that all passengers would share equally in financing the FAA. Today, the prices of tickets vary widely, even on the same flight. Under a ticket tax scheme, all passengers receive equal benefit of FAA oversight, but some pay far more into the system than others. Because a ticket tax is based on the price of a passenger’s ticket, rather than the cost of the services provided by the FAA, it unfairly penalizes the customers of airlines like ours, which fly 85% of all revenue passenger miles.”

Definition and Example: The Coalition user fee proposal would replace the 10% ticket tax with a charge for each one-way domestic flight as follows:

\$2.00 per airplane seat (\$1.00 per seat for commuter planes) whether or not the seat is occupied,
 \$4.50 per passenger, and
 \$0.005 per passenger per nonstop origin and destination mile.

The charge per seat whether or not it is occupied is an attempt to charge the airline for the size of the aircraft. The Coalition proposal is attempting to relate the user fee to the costs imposed on the air traffic control system by aircraft size, regardless of the number of seats occupied. The charge per mile is an attempt to reflect the amount of time en route and therefore the amount the aircraft used the air traffic control services. However, this charge would be “as the crow flies” meaning that a passenger flying from Washington, D.C. to San Francisco would be charged for the miles between the two

cities; whether or not the passenger stops at Dallas/Fort Worth or Minneapolis Airport to catch a connecting flight. Please note that the tax writing committees in Congress consider the Coalition “user fee” to be a “tax”, in part because the system did not have sufficient link between costs and the user charge.)

Because each Commissioner was provided with the General Accounting Office report, which goes into detail about the Coalition proposal, this paper has omitted the problems associated with the plan and the impact it would have on particular carriers. It should be pointed out, however, that GAO does make the point that the ticket tax also is not an accurate reflection of the costs users impose on the system.

International Systems of User Fees

ICAO has established a process to allow member states (including the United States, should it so desire) to charge a series of User Fees, largely based on the origin and destination of the aircraft, the weight of the aircraft, and the aircraft type. Under this structure, the fees based on mileage are charged for enroute services between city-pair combinations flying great circle routes. (Please note that what ICAO terms “fees” might be considered “taxes” for budgetary or legal purposes in the U.S.)

ICAO has determined that, as a general principle, where air navigation services are provided for international use, the providers may require the users to pay their share of the related costs, but international civil aviation should not be asked to meet costs which are not properly allocable to it. Countries are encouraged to maintain accounts for the air navigation services they provide in a manner which ensures that air navigation services levied on international civil aviation are properly cost based.

When establishing the cost basis for air navigation services charges, the following principles should be applied:

1. The cost to be shared is the full cost of providing the air navigation services, including appropriate amounts for interest on capital investment and depreciation of assets, as well as the costs of maintenance, operation, management and administration.
2. The costs to be taken into account should be those assessed in relation to the facilities and services provided for and implemented under the ICAO regional Air Navigation Plan.
3. The costs of air navigation services provided during terminal and approach should be identified separately.
4. Air navigation services may produce sufficient revenues to exceed all direct and indirect operating costs and so provide for a reasonable return on assets to contribute towards necessary capital improvements.

Terminal and approach charges should be a single element of the landing charge or a single charge per flight and may take aircraft weight into account but less than in direct proportion.

Enroute charges should be a single charge per flight. The charge should be based on the distance flown within a defined area and/or the aircraft weight. The element of the distance flown should be applied by means of a distance scale using great circle distances or other commonly agreed distances. The element of aircraft weight should be applied by means of a weight scale using broad intervals which should be standardized so far as possible and should take into account, less than proportionately, the relative productive capacities of the different aircraft types concerned.

The best known of these ICAO-based fees is the series of fees used by Eurocontrol to charge for overflights of European nations. The Eurocontrol system of charges applies to civil aircraft flying either for a part of or for the whole of the flight under Instrument Flight Rules and to military aircraft flying as General Air Traffic. The charging formula used by the Eurocontrol nations is:

$$r = t * d * \sqrt{w / 50}$$

Where r = Charge

t = Unit Rate (determined by each member nation)

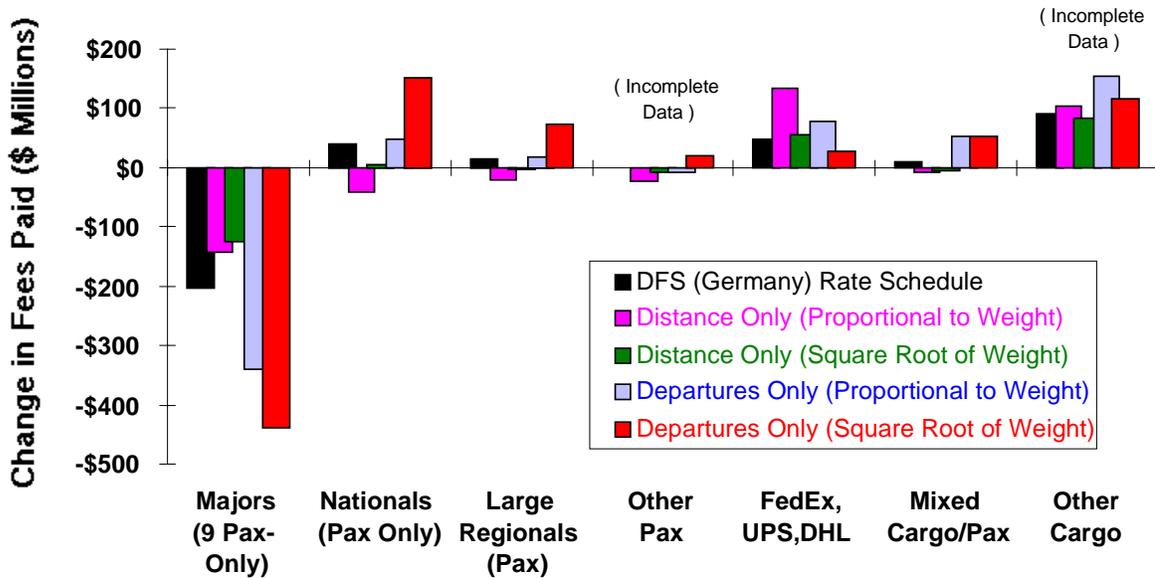
d = great circle distance flown

w = maximum take-off weight

Using the square root of the weight tempers the increase in the fee as the aircraft weight increases. All these fees are collected through the route facility collection system operated by Eurocontrol, and are subsequently forwarded to the member nations.

The implications of using such a fee structure on the U.S. airline industry is illustrated in the following graphs. These charts were constructed using data from 1994, and illustrate that any of the ICAO and Eurocontrol types of formulas would reduce the costs to the nine largest airlines vis a vis the existing excise taxes while increasing the costs to essentially all other users of the system.

Difference Between User Fees and Current Excise (With No Change in Total)

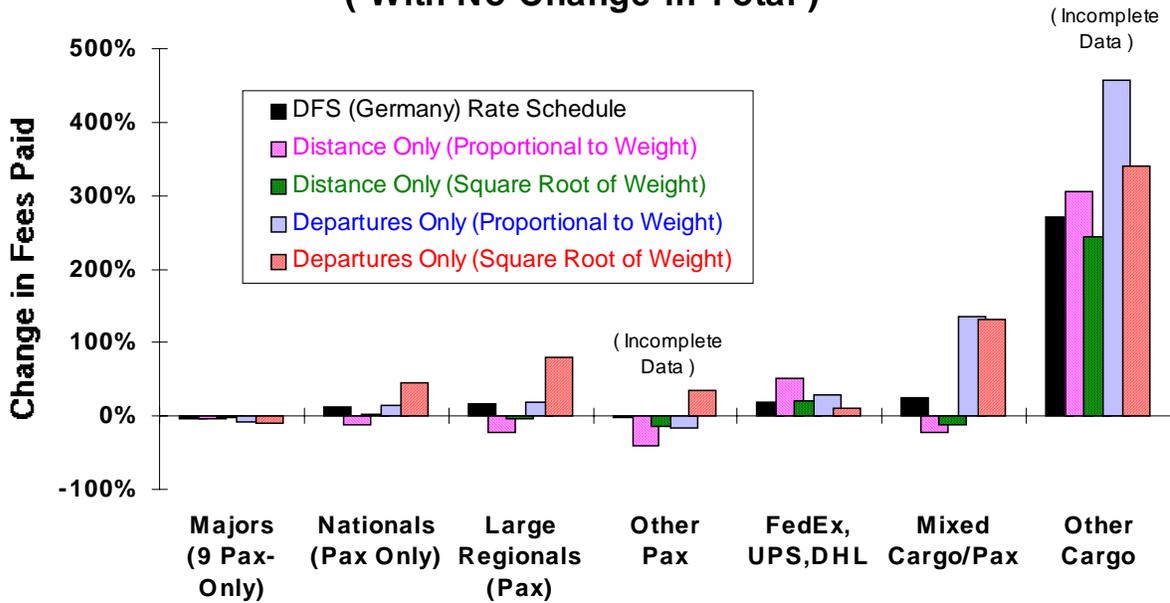


In examining the impact of user fees on particular segments of the civil aviation industry, care must be taken to separate the impact of user fees versus excise taxes from the impact of the total amount of revenue needed to support ATC services. Within the commercial aviation segments alone, a wide range of distributions of tax/fee burden could result depending on the precise structural basis for setting fees.

Some observers have suggested that the FAA needs to accurately identify the costs of delivering ATC services in order to allow its fee structure to account for time of day and location-specific factors (namely the impact of traffic load levels) so that adjustments can be built into the fees. By making adjustments for traffic at off-peak hours and at uncongested facilities, the increased burden on the regional carriers and cargo carriers would be mitigated.

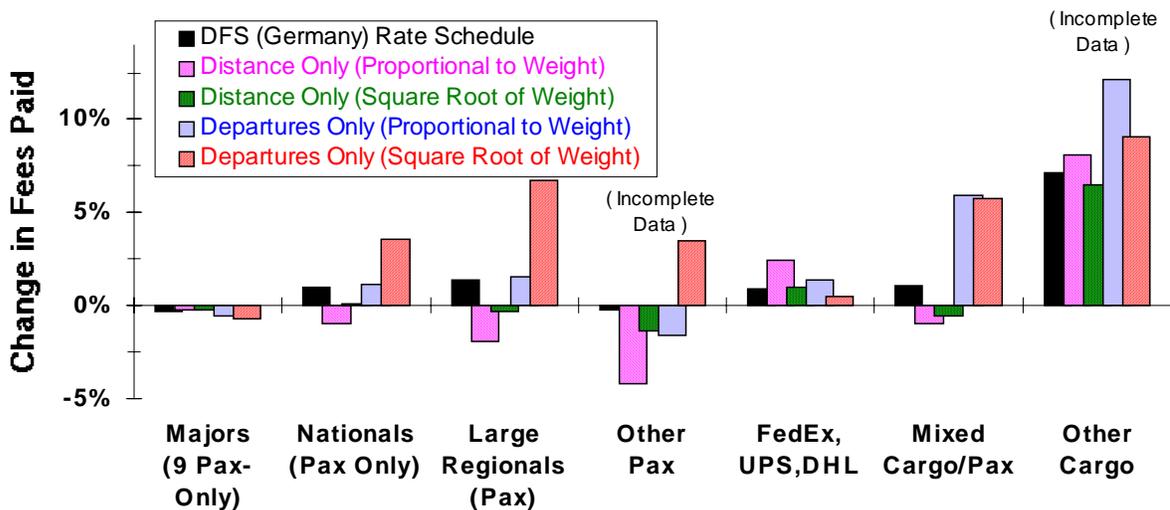
The three charts in this section are based on information derived primarily from DOT Form-41 data for 1994. As such, they are merely approximations and are based on somewhat incomplete information (particularly for small carriers). They do not account for time-of-day or location-specific information.

Change in User Fees vs. Current Excise Taxes (With No Change in Total)



When measured as a change in burden relative to the excise taxes currently paid, as above, the large change in total dollars seen previously for the major passenger airlines suddenly appears small in relative terms. The **relative** change in burden is much larger for other civil aviation industry segments, particularly for mixed passenger/cargo carriers and bulk cargo carriers, who currently pay 6.25 percent of the waybill for low-value cargo domestically, and no charge for international cargo.

Change in User Fees vs. Current Excise Taxes as a Percentage of Corporate Aviation Revenue * (With No Change in Total)



* Aviation Revenue: Domestic + International, Cargo + Passenger

The chart above displays the change in financial burden in comparison to a company's total aviation revenue. Here, it can be seen that in the largest cases (bulk cargo carriers), the change in user fees versus excise taxes would be at most just over ten percent. As noted earlier, the simplistic scenarios used for these user fee calculations did not account for time-of-day or location-specific data.

Other Types of Potential Fees

In addition to the major fee structure that is used by ICAO, other types of "User Fees" have been suggested by a number of organizations and persons. Each of these fees has some relevance in that they present a structure that is either an exact match for the service provided, or is a reasonable approximation of the costs associated with a fee. This section discusses the potential for some of these fees, and presents preliminary information on whether these fees would be more commonly associated with a tax or a true user fee under current legislative authority.

Air Traffic Service Fees

Over the past decade, proposals for charging for Air Traffic Services (ATS) in a variety of environments have been discussed and considered. Three of the major proposals have been charges for overflights, enroute IFR services, and terminal approach services. The overflight and enroute charges are similar, except that the first provides for fees associated with transiting U.S. airspace by those flights that neither originate or end their flights in the United States, while the enroute services are provided to all aircraft operating in the NAS with an IFR flight plan -- specifically including all commercial aircraft. Terminal services directly involve the airport being used, specifically including departures, landings, and terminal area radar services to transiting aircraft.

For all of the ATS fees considered, various formulas have been discussed, mostly in the context of an ICAO or Eurocontrol type of system. As noted by Coopers and Lybrand, the FAA does not at present have a cost accounting system that would allow for exact charging for the costs of the specific service provided, so some surrogate such as that used by Eurocontrol would likely be required as a start-up position.

Fuel Charge

As indicated above, the existing Trust Fund is funded in part by a tax on the fuel purchased for use in non-commercial and non-Department of Defense (DoD) airplanes. The intent of an expanded fuel charge would be to more completely place charges on all fuel purchased in order to reflect the costs of providing ATC services. The basic idea is that the fuel charge is a good surrogate for the extent to which airplanes use ATC services, since larger airplanes tend to use en route services to a greater extent than smaller airplanes, and the larger planes tend to require services in large, often congested, airports. These larger planes also consume more fuel, and would pay higher charges

under such a user charge. It would also have the benefit of being easy to administer since aviation fuel taxes already exist and are well known. As a general principle, fuel taxes provide an incentive for a user to burn less fuel and thereby emit less air pollution.

Unfortunately, such a fuel charge probably could not be considered a “user fee” for several reasons. The first, and most obvious, is that it would be identical to the current fuel taxes imposed on general Aviation. Thus, the fuel charge would simply be an additional tax, and not a fee for services. Secondly, there could be an argument that such a fuel charge would lead to uncompetitive practices in the commercial sector. At present new start up airlines tend to use older, less efficient equipment than established airlines that are able to purchase newer, more fuel efficient equipment. The argument against fuel charges is that they would have the unintended policy consequence of penalizing start-up companies for using less efficient equipment. Furthermore, a fuel charge alone would not recoup the costs of providing ATC services for international overflights.

Nonetheless, it might be possible to argue that for efficiency sake non-commercial (essentially general aviation) components of the aviation industry are well represented, in terms of system usage, by a fuel tax, and that such a tax represents the best possible method to charge for proportional use of the system that is available without imposing undue collection and regulation costs. Similarly, some form of tax for low-end commercial users of the system (e.g., air taxi, some commuter aircraft) could be representative, in terms of efficiency of collection and representation of services provided.

Oceanic Fees

The FAA has the technology to handle assigning fees to the commercial (including high end business jets) airliners that use ATC services in U.S. controlled oceanic airspace. The FAA could likely recover all the costs of services provided by its three oceanic centers to operations in this environment isolated from the domestic airspace. The FAA could use an ICAO-based formula to establish fees in this instance, and existing mechanisms to collect the fees. These fees, like all fees, are subject to the domestic and international constraints discussed above. International carriers appear to be somewhat resigned to imposition of such fees, and are even hopeful that the fee structure would allow them a voice in provision of additional services in the oceanic environment.

Security Fees

The increased costs of providing security services to the aviation industry could be passed on to the industry in the form of any of a number of potential fees. Fees for domestic security inspections, enforcement processing fees and application processing fees for airport and air carrier security programs could be levied to cover the costs of these programs. Air carriers and airports would likely vigorously oppose the implementation of such fees, viewing them as the responsibility of government for which no fee should be

levied (i.e., the government is responsible for protecting the safety and security of the population). Fees could also be charged for security equipment certification, covering the costs of initial testing and approval of conventional and advanced technology security equipment necessary to ensure that the safety and security goals of the Gore Commission are met. Manufacturers are likely to oppose such fees as adding unreasonably to the costs of such systems.

A final type of security fee might be levied in the form of an aviation security emplanement fee. Such a fee could cover the costs of financing all programs contained in the FAA budget with regard to the needs of the Associate Administrator for Civil Aviation Security, especially with regard to air carrier, airport and FAA facility security inspections and investigations. Passengers have indicated on a wide variety of surveys that they would be willing to pay the few cents per embarkation that such a fee would entail; it is not clear if the carriers would be so willing to collect the fee. It is also not clear if such a “head count” fee would be considered as a tax by another name.

Certification Fees

FAA engineers conduct extensive analyses, inspections and ground or flight tests to certify that an aircraft, engine, propeller, or aircraft part complies with design standards. FAA inspectors also approve manufacturers requests to produce and sell aircraft replacement parts. Fees could be charged for the initial certification and periodic renewals. These types of fees are common in Europe and other parts of the world.

FAA costs for such services are approximately \$75-100 million. A central issue in developing such certification charges would be whether to assess user charges based on hourly rates, fee schedules, or flat rates based on size, weight, item(s) cost, etc.

Users are identifiable, and implementation and tracking would not be difficult to administer once automation systems are in place. Fees would be charged to those who are economically benefiting from the service (certification) provided by the FAA. Flexibility to meet industry needs and demands might be enhanced with a user fee system.

Ability to pay would depend on the amount charged, and that might force small entrepreneurs out of business. Such fees could encourage an increase in unapproved parts activity. Significant opposition could be expected from the aviation community, especially the General Aviation manufacturers.

FAA’s Current User Fees

The FAA has some very limited current experience with using User Fees in the provision of services. At present, the FAA charges three separate Fees for Services. These Fees include: Civil Aviation Registry, or the fees for recording conveyances of security interests in specific aircraft, aircraft engines or propellers; and conveyances of

security interests in collections of aircraft engines, propellers, appliances, and spare parts at designated locations; Certification Fees, through which the FAA establishes and collects fees for repair station certification and inspection actions outside the United States at levels that fully recover the costs of providing such services; and, landing and parking fees at the Atlantic City International Airport, which is owned by the FAA. Each of these three fees is described briefly in Appendix B. Total fees collected under these programs are relatively small, approximately \$3.5 million per year.

Overflight Fees

The collection of overflight fees was legislated in the FAA Reauthorization Act of 1996. Overflights are flights that neither take-off nor land in the United States, but overfly U.S. controlled airspace. Currently, users of this service pay nothing in taxes or charges.

The FAA began to collect these fees on May 19, 1997. The major debates between the FAA and the users have centered around the process that the FAA has used to implement the fees, charging general aviation users, and whether to charge Canada. A billing and collection process has been established and instituted.

All other countries charge this fee (except Canada for U.S. carriers), and at present the users provide no funding to the system for this service. Moreover, such a fee would be easy to administer. However, if Canadian carriers are charged, U.S. carriers will pay more to Canada, than Canadian carriers pay to U.S.

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Appendix A

OMB Guidelines on User Fees

OMB Circular (A-25) establishes general Federal policy about user fees for government services and for sale and use of government property. It provides information about the types of activities subject to user charges and the basis for setting these charges. Important points to note:

Applicability

1. The Circular applies to “special benefits beyond those accruing to the general public”. Any allocation of costs for the “public good” of a national airspace system can be allocated to the users. This means that the users can and most likely will be expected to pick up the costs (including the contribution from the General Fund) of the public benefit aspect of the system.
2. The Circular provides guidelines about government user charges. If the Congress passes legislation about a user fee system, that statute takes precedence over this Circular if there is a conflict. This means that the Congress can propose whatever user charge system it advocates, including who pays the charges; how much are the charges; where collections are deposited; and tax treatment of charges. If the law is in direct conflict with the OMB guidelines, then the Congressional legislation takes precedence. Of course, in that case, the legislation can (and most likely would be) challenged in Court by any party with standing (anyone who will suffer a direct loss).

Determining the amount of user charges to assess (Under OMB guidelines) .

1. User charges must be sufficient to recover the full cost to the Federal Government of providing the service, resource, or good.
2. User charges should be based on market prices
3. User charges do not have to be limited to the recovery of full costs and may yield net revenues.
4. User charges can be collected in advance of, or simultaneously, or after the provision of services
5. Whenever possible, user charges should be set as rates rather than fixed dollar amounts

Determining full cost and market price of user services and associated charges (Under OMB guidelines)

1. “Full cost” includes all direct and indirect costs to any part of the Federal Government of providing a good, resource, or service. These costs include, but are not limited to, an appropriate share of direct and indirect personnel costs and overhead, consulting, and other indirect costs

2. Full cost shall be determined or estimated from the best available records of the agency, and new cost accounting systems need not be established solely for this purpose.

The preceding two issues are the focus of concerns about the FAA's lack of a cost accounting system. Since the costs of providing FAA services have not been accurately measured or allocated to the satisfaction of most observers, it is arguably impossible to determine the market price of FAA services and thereby to assess "fair" charges. However, this also clearly establishes that a new cost accounting system is not necessarily a prerequisite to imposing user fees.

Some have argued that the Gellman Research Associates (GRA) study is a single, flawed study based on dubious assumptions; a really thorough analysis would consist of many studies and analyses; and Ramsey pricing is not appropriate for ATC services. A "real" cost accounting system should provide the solution to this issue of cost allocation. However, all cost accounting systems must be based upon someone's assumptions about cost allocations (especially indirect cost allocations). While it may be possible to directly account for a much greater portion of costs than has yet been done, the political question is the real issue, and there are a lot of people with ideas about who should bear the system costs.

Implementation of user charges (Under OMB guidelines)

- Generally user charges are instituted through regulations. This means that Congress should define in the law the general terms of the services for which charges will be assessed and the pricing mechanism that will be used. The actual user charge schedule would then be set by regulations which could be administratively updated to reflect changing costs and market values.
- Any FAA proposals about the charge schedule must be submitted to the Office of Management and Budget and would also be discussed with the Treasury Department and any other associated agencies.
- Any proposed rule should allow for prior notice and comment by the public before it becomes effective.

FAA Responsibilities (Under OMB guidelines)

The FAA would be responsible for the initiation and adoption of user charge schedule including:

1. the identification of services and activities;
2. the extent of the special benefits;
3. the determination of full cost or market price;
4. the review of charges biennially, to ensure they are current with market values or costs;
5. the availability of records to support any service or activity costs;

6. the information used to establish charges and the specific method(s) used to determine them;
7. the collections from each user charge imposed.

What happens to the money when it is collected?

1. Unless the Congress legislates otherwise, user charge collections are credited to the general fund of the Treasury as miscellaneous receipts. The Treasury typically appropriates the money back to the agency through the annual appropriation process.
2. In rare instances, the agency can sometimes retain collections if the money collected will finance a service that is self-sustaining. For example, if it is known that a FSS cost is \$10, the government can not attempt to collect \$15 and spend \$5 on the collection and distribution process. But the government might collect the \$10 cost of providing the service to continue to provide that service on a continuing basis. These funds do not go through the normal budget process. Note: under any conditions such collections are RARE.

Appendix B

Current Fees Charged by the FAA for Services

Civil Aviation Registry

FAA charges fees for recording conveyances of security interests in specific aircraft, aircraft engines or propellers; and conveyances of security interests in collections of aircraft engines, propellers, appliances, and spare parts at designated locations (14 C.F.R. 49.15). FAA charges fees for processing applications for various aircraft registration certificates, including the certificate issued when an aircraft is purchased (14 C.F.R. 47.17). A table of Registry fee types is shown in Appendix 8, "Civil Aviation Registry Fees". For each fee type the table shows: how much is now charged; the maximum rate that could be charged in 1997 under current statutory authority, but subject to regulatory action; and aggregate amounts collected in FY 1995. Proposed new fees and increases in existing fees, which are expected to be in place in 1997, are authorized by 49 U.S.C. 45302 and are in the final stages of the rulemaking process.

Certification Services and Approvals Performed Outside the United States

The general authority to collect fees for foreign services without regard to the levels in effect on January 1, 1973, (see 49 U.S.C. 45301(a)) was first provided by the International Air Transportation Competition Act of 1979 (pertinent provisions now codified in 49 U.S.C. 45301(b)). The FAA Authorization Act of 1994 (pertinent provisions now codified in 49 U.S.C. 45301(c)) directed the FAA to establish and collect fees for repair station certification and inspection actions outside the United States at levels that would fully recover the costs of providing such services. Costs of other services are to be recovered according to the difference between providing the service domestically and at the foreign location, or if so designated by the Administration, so as to recover all costs (49 U.S.C. 45301(c)(3)).

The FAA certifies that airmen (e.g., pilots, flight engineers, mechanics, repairmen) meet regulatory requirements. Qualifications are determined through written examinations, practical examinations (oral or flight), and flight instruction. 49 U.S.C. 45301 specifically restricts the FAA from charging for these services in the U.S. because the charges were not in effect on January 1, 1973, unless Congress approves the new fee. However, outside of the United States, fees are charged for these services.

Companies that wish to provide aviation services are also certified as meeting FAA regulatory requirements. Outside of the United States, air agencies, such as repair stations, pilot schools, airman training centers, and aviation maintenance technician schools, are charged for this service. Fees for airman certification range from \$32 to \$960. Air agencies are charged \$80 per inspector hour plus travel and subsistence. The FAA reviews these fees annually and adjusts them to reflect the costs of performing tests, authorizations, certifications, permits and ratings outside the United States.

Atlantic City International Airport Fees

The FAA owns the property on which the runways and taxiways used by commercial aircraft at the Atlantic City International Airport (ACY) are situated. The South Jersey Transportation Authority (SJTA), as empowered by the State of New Jersey, owns and manages the ACY terminal facility, located adjacent to FAA's airfield, and uses FAA's runways and taxiways. The New Jersey Air National Guard 177th Fighter Group, FAA's flight inspection aircraft, and FAA's research and development aircraft fleet based at the William B. Hughes Technical Center also regularly use these runways and taxiways. The FAA holds the Airport Operating Certificate for ACY and incurs operation and maintenance expenses of approximately \$1 million annually.

The FAA charges landing fees at ACY. FAA charges \$1 per 1000 pounds for all commercial aircraft landing at the airport, with a minimum of \$5 for aircraft weighing less than 5,000 pounds. In addition, FAA charges certain aircraft parking fees, when aircraft need to use FAA ramp space because of insufficient parking space at the SJTA terminal. These fees range from \$6 per day for small aircraft to \$135 for large aircraft. These fees have not been adjusted since the 1980s. Current fees represent approximately 50 percent of the costs incurred. While the FAA recognizes the need to increase revenues, these fees are in line with those at similar small-hub airports and any attempt to raise the fee may be viewed negatively by the airlines and SJTA, who is tasked with stimulating economic growth and air traffic in the area.

