CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 22, 2009

H.R. 915
FAA Reauthorization Act of 2009

As ordered reported by the House Committee on Transportation and Infrastructure on March 7, 2009, with a subsequent amendment provided to CBO on April 3, 2009

SUMMARY

H.R. 915 would authorize appropriations, mainly over the 2009-2012 period, for activities of the Federal Aviation Administration (FAA) and other federal programs related to aviation. Provisions of the legislation also would affect direct spending and revenues. CBO and the Joint Committee on Taxation (JCT) estimate that implementing H.R. 915 would:

- Increase discretionary spending by $44 billion over the 2009-2014 period;

- Increase net direct spending by $46 million over the 2009-2014 period and $357 million over the 2009-2019 period;

- Reduce revenues by $14 million over the 2009-2014 period and $231 million over the 2009-2019 period.

Enacting those provisions that would affect direct spending and revenues would increase future deficits by $60 million over the 2009-2014 period and $588 million over the 2009-2019 period.

The legislation's effects on direct spending and revenues over the 2009-2013 and 2009-2018 periods are relevant for enforcing pay-as-you-go rules under the current budget resolution. CBO and JCT estimate that enacting H.R. 915 would:

- Increase net direct spending by $113 million over the 2009-2013 period and $184 million over the 2009-2018 period;

- Increase revenues by $10 million over the 2009-2013 period and reduce them by $174 million over the 2009-2018 period; and thus

- Increase future deficits by $103 million over the 2009-2013 period and $358 million over the 2009-2018 period.

H.R. 915 contains intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) because it would impose new safety standards on both public and private airports. The bill also contains several other mandates that only affect public airports or state and local governments. CBO estimates that the aggregate cost of the intergovernmental mandates in the bill would exceed the annual threshold established in UMRA ($69 million in 2009, adjusted annually for inflation). In addition to new safety standards, the bill would impose private-sector mandates on operators of certain aircraft, entities registering or obtaining certification with the FAA, and commercial air carriers. Based on information from the FAA and industry sources, CBO estimates that the aggregate cost of complying with the private-sector mandates also would exceed the annual threshold established in UMRA ($139 million in 2009, adjusted annually for inflation.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 915 is shown in Table 1. The costs of this legislation fall primarily within budget functions 400 (transportation) and 600 (income security).

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 915 will be enacted by August 1, 2009. Outlay estimates are based on historical spending patterns for affected programs and on information provided by the Department of Transportation (DOT) and the FAA.

Spending Subject to Appropriation

H.R. 915 would authorize appropriations, mainly over the 2009-2012 period, for the FAA and other federal programs related to aviation. For fiscal year 2009, discretionary funding for aviation programs under the Omnibus Appropriations Act, 2009 (Public Law 111-8), and the American Recovery and Reinvestment Act (Public Law 111-5) currently totals about $13.3 billion. CBO estimates that outlays under current law would total $40 billion over the 2009-2014 period. We estimate that fully funding H.R. 915 would increase discretionary spending by about $44.4 billion over that period, primarily for major programs administered by the FAA. That estimate includes spending from additional amounts authorized to be appropriated for 2009 and assumes that amounts authorized and estimated to be necessary for later years are provided near the start of each fiscal year.

TABLE 1. ESTIMATED BUDGETARY EFFECTS OF H.R. 915

	By Fiscal Year, in Millions of Dollars						
	2009	2010	2011	2012	2013	2014	2009-2014
CHANGES IN SPENDING SUBJECT TO APPROPRIATION							
Spending Under Current Law							
Budget Authority/Authorization Level [a]	13,347	127	77	77	77	77	13,782
Estimated Outlays [b]	15,769	6,565	5,117	4,407	4,116	4,041	40,015
Proposed Changes							
FAA Operations							
Authorization Level	0	9,531	9,936	10,350	0	0	29,817
Estimated Outlays	0	8,483	9,891	10,304	1,139	0	29,817
Air Navigation Facilities and Equipment							
Authorization Level	304	3,259	3,353	3,506	0	0	10,422
Estimated Outlays	*	1,888	2,668	3,231	1,593	763	10,143
Airport Improvement Program [c]							
Authorization Level	0	0	0	0	0	0	0
Estimated Outlays	0	74	170	271	353	396	1,264
Research Engineering and Development							
Authorization Level	42	215	226	245	0	0	728
Estimated Outlays	*	136	207	235	114	31	723
Changes to FAA Personnel Management System							
Estimated Authorization Level	83	385	323	249	0	0	1,040
Estimated Outlays	56	370	330	257	27	0	1,040
Essential Air Service							
Authorization Level	73	73	73	73	73	73	438
Estimated Outlays	*	117	88	73	73	73	424
Increased Funding for Aviation Safety Inspectors							
Authorization Level	0	45	138	235	0	0	418
Estimated Outlays	0	40	128	224	26	0	418
Other Provisions							
Estimated Authorization Level	53	114	166	181	9	9	532
Estimated Outlays	*	117	157	174	65	19	532
Total Changes							
Estimated Authorization Level	554	13,622	14,215	14,839	82	82	43,394
Estimated Outlays	56	11,225	13,639	14,769	3,390	1,282	44,361
Spending Under H.R. 915							
Estimated Authorization Level	13,901	13,749	14,292	14,916	159	159	57,176
Estimated Outlays	15,825	17,790	18,756	19,176	7,506	5,323	84,376

Continued

TABLE 1. Continued.

	By Fiscal Year, in Millions of Dollars						
	2009	2010	2011	2012	2013	2014	2009-2014
CHANGES IN DIRECT SPENDING							
Spending Under Current Law							
Estimated Budget Authority [c]	3,870	3,870	3,870	3,870	3,870	3,870	23,220
Estimated Outlays	50	50	50	50	50	50	300
Proposed Changes							
Estimated Budget Authority	0	197	314	415	407	313	1,646
Estimated Outlays	0	15	32	35	31	-67	46
Spending Under H.R. 915 [d]							
Estimated Authorization Level	3,870	4,067	4,184	4,285	4,277	4,183	24,866
Estimated Outlays	50	65	82	85	81	-17	346
CHANGES IN REVENUES							
Estimated Revenues [e]	*	9	15	3	-17	-24	-14
NET IMPACT OF CHANGES IN DIRECT SPENDING AND REVENUES ON THE DEFICIT							
Net Increase or Decrease (-) in the Deficit	*	6	17	32	48	-43	60

Notes: * = between -$500,000 and $500,000; FAA = Federal Aviation Administration.

a. The 2009 level is the amount appropriated for that year for FAA operations; facilities and equipment; research, engineering, and development; essential air service; and the Joint Planning and Development Office (JPDO). The 2010-2014 levels reflect amounts authorized to be appropriated under current law for essential air service and the JPDO.

b. Estimated outlays under current law are from amounts appropriated for 2009 and previous years for FAA operations, facilities and equipment; research, engineering, and development; essential air service; and the Joint Planning and Development Office as well as discretionary outlays from the obligation limitations for the Airport Improvement Program.

c. Budget authority for the Airport Improvement Program is provided as contract authority, a mandatory form of budget authority; however, outlays from that contract authority are subject to limitations on obligations specified in annual appropriation acts and are therefore considered discretionary.

d. Enacting H.R. 915 would increase direct spending by $357 million over the 2009-2019 period (see Table 2 for annual effects through 2019).

e. Enacting H.R. 915 would reduce revenues by $231 million over the 2009-2019 period (see Table 2 for annual effects through 2019).

FAA Operations. H.R. 915 would authorize appropriations totaling $9 billion in 2009 and $38.8 billion over the 2009-2012 period for FAA operations, particularly for salaries and expenses related to operating the air traffic control system. Slightly more than $9 billion for FAA operations has already been appropriated for 2009, and implementing H.R. 915 would add $29.8 billion to those amounts over the 2010-2012 period, assuming appropriation of the additional amounts authorized. CBO estimates that fully funding FAA operations as authorized in H.R. 915 would result in additional spending totaling $29.8 billion over the 2009-2014 period.

Air Navigation Facilities and Equipment. H.R. 915 would authorize appropriations totaling $3.2 billion in 2009 and $13.4 billion over the 2009-2012 period for facilities and equipment—primarily infrastructure and systems for communication, navigation, and radar surveillance related to air travel. Public Law 111-5 and Public Law 111-8 already provided $2.9 billion for 2009 for those activities. Assuming appropriation of the additional amounts authorized in this bill, CBO estimates that outlays would increase by $10.1 billion over the 2009-2014 period, with additional spending occurring in later years. That estimate assumes that an additional $304 million will be provided during 2009 for facilities and equipment.

By authorizing appropriations for air navigation facilities and equipment over the 2009-2012 period, H.R. 915 would authorize adjustments to contract authority for the airport improvement program in those years. Current law provides for increases to contract authority (a mandatory form of budget authority) for that program in any year that the amounts authorized to be appropriated for facilities and equipment exceed amounts actually provided in appropriation acts for such activities. Any such changes authorized under H.R. 915 and triggered by annual appropriation acts would be considered changes in direct spending and are discussed later in this estimate (see section entitled “Direct Spending”).

Airport Improvement Program. H.R. 915 would provide $12.3 billion in contract authority (a mandatory form of budget authority) over the 2010-2012 period for the Airport Improvement Program (AIP). (Under current law, the FAA has nearly $3.9 million in contract authority available through 2009.) Through that program, the FAA provides grants to airports for projects to enhance safety and increase airports’ capacity for passengers and aircraft. Outlays from AIP contract authority are controlled by limitations on obligations set in annual appropriation acts and are therefore considered discretionary.

CBO estimates that enacting this provision would increase contract authority over levels assumed in CBO’s current baseline by $840 million over the 2009-2012 period that is specifically covered under H.R. 915 and by $380 million annually thereafter. (See the section of this estimate entitled “Direct Spending” for a discussion of the budgetary treatment of AIP contract authority under the budget resolution baseline and for purposes of projecting costs under proposed legislation.)

In total, assuming that obligation limitations of AIP spending, as set forth in annual appropriation acts, are equal to the levels of contract authority projected under H.R. 915, CBO estimates that implementing this provision would increase discretionary spending by about $1.3 billion over the 2009-2014 period, with additional spending occurring in later years. That amount includes $1.1 billion in spending from additional contract authority under the bill. It also includes nearly $200 million in accelerated outlays from contract authority assumed in the current baseline that CBO estimates would spend faster under H.R. 915, largely due to provisions that would increase the maximum federal share of certain airport projects and expand eligibility criteria for AIP grants.

Research, Engineering and Development. H.R. 915 would authorize appropriations totaling $213 million in 2009 and almost $900 million over the 2009-2012 period for aviation-related research activities. Public Law 111-8 has already appropriated $171 million for FAA's research programs for 2009. Assuming appropriation of the remaining authorized amounts (about $730 million over the 2009-2012 period), CBO estimates that resulting outlays would total $723 million over the 2009-2014 period, with additional spending occurring in later years. That estimate assumes that $42 million in additional funding will be provided for 2009 as authorized by the bill.

Changes to the FAA Personnel Management System. Under the FAA's personnel system, many employees participate in collective bargaining units. H.R. 915 would establish a new process for resolving disputes between the FAA and such units and apply that process to an ongoing dispute between the agency and certain collective bargaining units, the largest of which involves air traffic controllers represented by the National Air Traffic Controllers Association (NATCA). CBO estimates that fully funding those proposed changes would require additional appropriations of $83 million in 2009 and about $1 billion during the four-year period (2009-2012) authorized by the bill.

Background. In 2005, the FAA and NATCA began negotiating an extension of the collective bargaining agreement covering air traffic controllers that was originally put into effect in 1998 and extended for two years, with minor changes, in 2003. In April 2006, negotiations stalled and the FAA declared an impasse. In the absence of a negotiated contract and under certain conditions, current law authorizes the agency to implement changes to its personnel management system. Under that authority, the FAA began to implement changes toward the end of 2006, related in particular to compensation for air traffic controllers. According to both the FAA and NATCA, FAA spending under current law for salaries of air traffic controllers—including spending resulting from changes to its personnel policies implemented since 2006—is less than spending would have been under the parties' last mutual agreement.

Changes under the Bill. Under H.R. 915, any changes in personnel policy implemented by the FAA after July 25, 2005, for collective bargaining units without current contracts would be null and void, and the parties would be governed by their last mutual agreement. The bill would specify conditions under which employees could receive back pay, subject to the availability of appropriated funds, and would specifically authorize the appropriation of $20 million for such payments. Under the bill, if appropriations are insufficient to cover all claims for back pay since July 2006, payments would be prorated among eligible employees. H.R. 915 also would require the FAA to resume negotiations with NATCA and other collective bargaining units that do not have current contracts. If agreements are not reached within 45 days of resuming negotiations, the new dispute resolution process set forth in the bill would apply. Through that process, the FAA and affected collective bargaining units would turn first to the Federal Mediation and Conciliation Service and, if necessary, appoint an arbitration board to impose a binding agreement upon all parties.

Estimated Costs. According to the FAA and NATCA, returning to the work and pay rules under previous mutual agreements would increase costs, particularly for salaries and benefits of employees covered by those agreements. For this estimate, CBO assumes that the agreements that would be reinstated upon enactment of H.R. 915 would remain in effect into early 2010 while the dispute resolution process prescribed by the bill unfolds. Relative to current law, CBO expects that reinstating those agreements would increase FAA's spending for compensation and benefits by an average of 12 percent for more than 9,000 individuals that were employed by the FAA before the end of 2006. We also estimate that FAA's costs for compensating and providing benefits for roughly 5,500 individuals hired since 2006, including those hired between the date of enactment of H.R. 915 and the conclusion of the dispute resolution process would increase by about 40 percent.

Based on information from the FAA and NATCA, CBO estimates that implementing this provision would require additional funding of about $1 billion over the four-year authorization period (2009-2012) covered by H.R. 915. That total includes $20 million specifically authorized to be appropriated for back pay and assumes that payments would be prorated, if necessary, as specified in the bill. Remaining amounts are primarily for sustaining higher levels of spending for compensation and benefits for individuals employed as of the date of enactment of H.R. 915 or hired prior to the conclusion of the new dispute resolution process. For purposes of this estimate, we assume that compensation and benefits for those individuals would not change after the process concludes.

For this estimate, CBO assumes that the dispute resolution process will conclude within about six months of H.R. 915's enactment. Federal costs incurred while that process unfolds would be greater if it takes longer. CBO cannot predict the outcome of that process; therefore, this estimate does not include potential changes (savings or increases) in costs that could result once the arbitration board's decision is imposed. Nor does it include any costs for salaries and benefits of individuals hired after the conclusion of the process, or changes that could result from future negotiations from the FAA's collective bargaining units as required by H.R. 915.

Essential Air Service. H.R. 915 would permanently increase, from $77 million to $150 million a year, the amount authorized to be appropriated for the Essential Air Service (EAS) program. Under that program, which received $73 million for 2009 under Public Law 111-8, DOT makes payments to air carriers that provide air service to certain rural communities. CBO estimates that fully funding EAS under H.R. 915 would require additional appropriations totaling $438 million over the 2009-2014 period and result in outlays totaling $424 million over the next five years, with additional outlays occurring after 2014.

Increased Funding for Aviation Safety Inspectors. H.R. 915 would specifically authorize appropriations totaling $418 million over the 2010-2012 period for the FAA to hire additional staff to inspect various aspects of the aviation system, such as aircraft and parts manufacturing, aircraft operation, aircraft safety, and cabin safety. Assuming appropriation of the authorized amounts, CBO estimates that spending would total $418 million over the 2010-2014 period.

Offsetting Collections from Registration and Certification Fees. The FAA administers a regulatory program designed to ensure the safety of air travel. The agency oversees and regulates the registration of aircraft, certification of pilots, and other related activities. Under current law, the FAA issues most registrations and certificates free of charge or at nominal prices. CBO estimates that fees charged by the agency currently total about $1 million annually.

H.R. 915 would require the FAA to charge specific fees for services related to processing certain registrations and certificates. The agency's authority to collect and spend such fees would be contingent on annual appropriation acts. Based on information from the agency regarding the annual volume of regulatory actions, CBO estimates that the proposed fees would generate discretionary offsetting collections totaling about $25 million in 2010 and about $120 million through 2012, the last year of the reauthorization period specifically covered by H.R. 915. Because H.R. 915 would authorize the FAA to spend such collections, we estimate that implementing this provision would have no significant net effect on federal spending.

Other Provisions. CBO estimates that implementing other provisions of H.R. 915 would require appropriations totaling $532 million over the 2009-2014 period. That amount includes:

- $128 million for research on technologies to reduce environmental impacts of operating aircraft and aircraft engines;

- $105 million for the Small Community Air Service Development Program;

- $100 million to continue, through 2012, activities of the Joint Planning and Development Office, currently authorized at $50 million a year through 2010, which coordinates multiple agencies' activities related to modernizing the nation's air traffic control system;

- $95 million for activities related to redesigning the nation's air space;

- $24 million for data collection and analysis related to aviation; and

- $80 million for various studies, reports, and activities to be carried out by the FAA, DOT, and other agencies.

Assuming appropriation of amounts specified and estimated to be necessary, CBO estimates that fully funding those activities would cost $532 million over the 2009-2014 period.

Direct Spending

CBO estimates that enacting H.R. 915 would increase net direct spending by $46 million over the 2009-2014 period and $357 million over the 2009-2019 period. Those changes, presented in detail in Table 2, would result primarily from provisions that would provide additional contract authority for the AIP, increase direct spending of overflight fees, increase spending for retirement benefits for certain FAA employees, and extend the FAA's authority to sell certain insurance.

Airport Improvement Program Contract Authority. CBO estimates that enacting H.R. 915 would result in $3.5 billion in additional contract authority for the AIP over the 2010-2019 period. (Under current law, the FAA has nearly $3.9 billion in contract authority available through 2009.) As previously noted, spending from contract authority is controlled by obligation limitations specified in annual appropriation acts. Thus, outlays of the AIP are considered discretionary.

Baseline Treatment of AIP Contract Authority. Pursuant to rules that govern the calculation of CBO's baseline, funding for certain expiring programs—such as contract authority for AIP—is assumed to continue for budget projection purposes. Consistent with that practice, CBO's baseline assumes that AIP contract authority over the 2010-2019 period will remain at the 2009 level of nearly $3.9 billion per year.

TABLE 2. EFFECTS ON DIRECT SPENDING AND REVENUES UNDER H.R. 915

	By Fiscal Year, in Millions of Dollars												
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2009-2014	2009-2019
CHANGES IN DIRECT SPENDING													
AIP Contract Authority [a]													
Estimated Budget Authority	0	180	280	380	380	380	380	380	380	380	380	1,600	3,500
Estimated Outlays	0	0	0	0	0	0	0	0	0	0	0	0	0
Increased Spending of Overflight Fees													
Estimated Budget Authority	0	9	19	14	0	0	0	0	0	0	0	42	42
Estimated Outlays	0	7	17	14	4	0	0	0	0	0	0	42	42
Changes to FAA Personnel Management System													
Estimated Budget Authority	0	8	15	21	27	33	38	43	47	50	53	104	335
Estimated Outlays	0	8	15	21	27	33	38	43	47	50	53	104	335
Aviation War Risk Insurance													
Estimated Budget Authority	0	0	0	0	0	-100	-110	-50	30	90	120	-100	-20
Estimated Outlays	0	0	0	0	0	-100	-110	-50	30	90	120	-100	-20
Total Changes													
Estimated Budget Authority	0	197	314	415	407	313	308	373	457	520	553	1,646	3,857
Estimated Outlays	0	15	32	35	31	-67	-72	-7	77	140	173	46	357
CHANGES IN REVENUES													
Passenger Facility Fees	*	-2	-6	-12	-18	-25	-31	-38	-44	-51	-58	-63	-285
Overflight Fees	0	9	19	14	0	0	0	0	0	0	0	42	42
Changes to FAA Personnel Management System	*	2	2	1	1	1	1	1	1	1	1	7	12
Total Estimated Revenues	*	9	15	3	-17	-24	-30	-37	-43	-50	-57	-14	-231
NET IMPACT ON THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES													
Net Increase or Decrease (-) in the Deficit	*	6	17	32	48	-43	-42	30	120	190	230	60	588

Note: AIP = Airport Improvement Program; * = between -$500,000 and. $500,000.

a. Budget authority for the Airport Improvement Program is provided as contract authority, a mandatory form of budget authority; however, outlays from that contract authority are subject to limitations on obligations specified in appropriation acts and are therefore discretionary.

Net Increases to Contract Authority. Under H.R. 915, AIP contract authority would total $3.9 billion in 2009 and increase gradually to $4.2 billion in 2012. Consistent with CBO's methodology for projecting contract authority under proposed legislation, we assume that contract authority for AIP would continue after 2012 and would remain at $4.2 billion annually over the 2013-2019 period. In total, CBO estimates that contract authority under H.R. 915 would exceed levels of contract authority already assumed in the CBO baseline by $3.5 billion over the 2009-2019 period.

Potential Adjustments to AIP Contract Authority. Public Law 106-181, the Wendell H. Ford Aviation Investment Reform Act for the 21st Century Act, enacted in 2000, created a permanent mechanism that provides for an increase to AIP contract authority in any year that the amount authorized to be appropriated for air navigation and facilities exceeds the amount provided for such activities in an appropriation act. By authorizing appropriations for facilities and equipment over the 2009-2012 period, H.R. 915—in conjunction with that provision of current law—would authorize adjustments to AIP contract authority for those years. Any adjustment authorized under this legislation, once triggered by annual appropriation acts, would constitute new direct spending authority. All spending for AIP—including spending from such adjustments—would remain subject to obligation limitations established in appropriation acts. Although H.R. 915 could result in additional AIP contract authority of as much as $10.4 billion over the 2009-2012 period if no appropriations were provided for air navigation facilities and equipment, CBO assumes that appropriations will equal the amounts authorized by the bill; thus, we project no additional increases to AIP contract authority under H.R. 915.

Increased Spending of Overflight Fees. Under current law, DOT has authority to spend, without further appropriation, revenues from overflight fees paid by air carriers to reimburse the FAA for the costs of providing navigational support to flights that neither take off nor land in the United States. As discussed below, JCT estimates that enacting H.R. 915 would increase revenues from such fees starting in 2010. CBO estimates that resulting increases in direct spending would total $42 million over the 2010-2019 period. Under the bill, such spending would support activities related to enhancing air service to rural communities.

Changes to FAA Personnel Management System. The legislation would change the dispute resolution process for proposed changes to the FAA's personnel management system. The new system would address an existing dispute between NATCA and the FAA relating to the compensation paid to air traffic controllers. The bill would restore the terms of the labor contract between those parties in effect in June 2006 until the new dispute resolution process has concluded.

Assuming that the dispute resolution process would take about six months, this provision would boost the salaries of air traffic controllers by awarding them annual increases for years 2007, 2008, and 2009 upon enactment. Those increases would raise the salary bases used to calculate retirement benefits for all new retirees after 2009. Based on data provided by the FAA on the characteristics (salary, years of service, and applicable retirement system) of recent retirees and the agency's projections of retirements over the next decade, CBO estimates that civil service retirement benefits would increase by $335 million over the 2009-2019 period. This provision also would increase, by $12 million over the 2009-2019 period, employee contributions to the Civil Service Retirement System as discussed below under "Revenues."

Aviation War Risk Insurance. Under current law, the FAA offers a program for commercial air carriers and aircraft and engine manufacturers that, in exchange for a premium payment, insures policyholders against liabilities arising from losses caused by terrorist events. The FAA also offers a nonpremium insurance program to air carriers that participate in the Civil Reserve Air Fleet (CRAF). The FAA's authority to operate both of those programs is scheduled to expire on December 31, 2013. H.R. 915 would extend that authority through December 2019. CBO estimates that extending the CRAF program through that time would have no significant budgetary impact; however, extending the FAA's authority to offer insurance for commercial air carriers and manufacturers through fiscal year 2019 would reduce net direct spending by $20 million over the 2013-2019 period. Over the long run, however, we estimate that extending the authority to operate the program would result in net costs to the federal government after 2019.

Program Extension Through 2019. For this estimate, CBO assumes that the FAA would continue to offer commercial aviation insurance at rates that would not fully offset the government's cost of providing that coverage. Initial savings under this provision of H.R. 915 would result because the FAA would collect premiums in full when coverage is sold, while payments for expected losses would likely begin slowly and occur over several years. Based on information from the FAA about current insurance terms and rates, CBO estimates that expected losses for claims would total $920 million over the 2014-2019 period and about $1.6 billion in later years for a total of roughly $2.5 billion over time. We further estimate that increased offsetting receipts from premiums (which are credited against direct spending) would total $940 million over the 2014-2019 period. Thus, while we estimate that extending the commercial insurance program through 2019 would result in net cash-flow savings of $20 million over the 2014-2019 period, we also estimate the program's net costs over time would total nearly $1.6 billion.

CBO cannot predict how much damage terrorists might cause in any specific year. Instead, our estimate of the cost of insurance coverage under H.R. 915 represents an expected value of payments from the program—a weighted average that reflects the probability of various outcomes, from zero damages up to very large damages due to possible future terrorist attacks. The expected value can be thought of as the amount of an insurance premium that would be necessary to fully offset the risk of providing this insurance. CBO's estimate of the expected cost for H.R. 915 is based on private-sector premiums for terrorism insurance that have been adjusted for differences in costs faced by private insurance firms that are not borne by the federal government. While this cost estimate reflects our best judgment on the basis of available information, costs are a function of inherently unpredictable future terrorist attacks. As such, actual costs could fall anywhere within an extremely broad range.

Successor Program. Under H.R. 915, after the Secretary of the Treasury's authority to offer commercial insurance ends on December 31, 2019, air carriers could seek coverage through risk-pooling arrangements sponsored by the airline industry and approved by the Secretary. The bill would authorize the Secretary to transfer net premiums earned over the period from September 22, 2001, through December 31, 2019, to a nonfederal risk pool; any such transfers would be net of estimates of pending claims. Transferring those amounts to a nonfederal entity would be recorded in the budget as an increase in direct spending in fiscal year 2020. Based on information from the FAA about premiums collected since September 22, 2001, and anticipated levels of premium collections expected under H.R. 915, such increased spending could range from zero (if a covered event requires the FAA to use all premiums to pay claims) to nearly $3 billion (if the FAA's program incurs no losses through 2019).

Revenues

CBO and JCT estimate that enacting H.R. 915 would reduce revenues by $14 million over the 2009-2014 period and $231 million over the 2009-2019 period. The estimated changes stem from provisions related to passenger facility fees, overflight fees, and changes to FAA personnel management.

Passenger Facility Fees. Under current law, airport agencies may collect, subject to DOT approval, fees of up to $4.50 per passenger to fund airport infrastructure programs. (Such fees are collected and spent by airport agencies and are not included in the federal budget.) H.R. 915 would allow the Secretary of Transportation to authorize airport agencies to charge fees of up to $7.00 per passenger. In addition, other provisions of the bill would authorize airports to change passenger facility fees to cover costs of activities that are currently not eligible for financing from such fees. In total, JCT expects that the proposed changes would increase revenues to airports from such passenger facility fees, subsequently lead to increased tax-exempt financing for airport construction and related projects, and consequently, reduce federal revenues. JCT estimates that federal revenue losses would total $285 million over the 2009-2019 period.

Overflight Fees. H.R. 915 would direct the FAA, through an expedited rulemaking process, to increase fees for certain navigational services provided for flights that neither take off nor land in the United States, known as overflight fees. Such fees are generally paid by foreign air carriers and are recorded as revenues. Under current law, JCT expects the FAA would not increase such fees before 2012. JCT estimates that the agency's costs to provide support for overflights exceeds revenues from fees by about $19 million annually. The expedited rulemaking would generate increased revenues for fiscal years 2010 through 2012. JCT estimates that those resulting increases in revenues would total $42 million over the 2010-2012 period. (As discussed earlier, those increased revenues would result in corresponding increases in direct spending for certain activities related to enhancing air service to rural communities.)

Changes to FAA Personnel Management System. As discussed earlier, the changes to the FAA management system, including the dispute resolution process, would result in the agency paying more in salaries than it would under current practices. Pay raises required for fiscal years 2007 through 2009 (and, for purposes of this estimate, anticipated pay increases for 2010) would result in higher salaries subject to the withholding of employee contributions to the Civil Service Retirement trust fund. The increase in contributions would begin to diminish over time as those workers retire or otherwise leave FAA employment. CBO estimates the additional revenues would total $12 million over the 2009-2019 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 915 contains intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act because it would impose new safety standards on both public and private airports. The bill also contains other mandates that only affect public airports or state and local governments. CBO estimates that the aggregate cost of complying with the intergovernmental mandates in the bill would exceed the annual threshold established in UMRA ($69 million in 2009, adjusted annually for inflation). In addition, the bill contains several mandates that only affect entities in the private sector. Based on information from the FAA and industry sources, CBO estimates that the aggregate cost of complying with the private-sector mandates in the bill also would exceed the annual threshold established in UMRA ($139 million in 2009, adjusted annually for inflation).

Mandate that Applies to Both Public and Private Entities

Aircraft Rescue and Firefighting Standards. The bill would require the Administrator of the FAA to set new rescue and firefighting standards for airports. The new safety standards would address staffing levels, timeliness of a rescue response, vehicle deployment, and equipment modernization. To the extent practical, the standards would have to be consistent with national voluntary standards for airport rescue and firefighting. According to the FAA and airport officials, few airports currently meet those standards. Also, according to airport fire chiefs and managers, such standards would require more staff, additional equipment, and in many cases, new facilities. New facilities would be particularly expensive, with estimates ranging from $1 million for satellite facilities to $10 million for new stations. In addition, many smaller airports that rely on local fire departments would need to hire new staff, which would result in higher personnel costs. Nearly 550 publicly owned airports would be subject to the regulations.

Given the potential scope of the safety standards and the large number of affected entities, CBO estimates that the new standards would result in additional costs to publicly owned airports that would likely exceed in at least one year the annual threshold established in UMRA for intergovernmental mandates ($69 million in 2009, adjusted annually for inflation). According to the FAA, only a small number of private airports would be subject to the new regulations. CBO, therefore, estimates that costs to private airports would be small relative to the annual threshold established in UMRA for private-sector mandates.

Mandates That Apply to Public Entities Only

Additional Application Requirements for PFC Charges. The bill would require any airport that levies passenger facility charges (PFC) to comply with new contracting requirements. Specifically, airports that finance airside projects (mostly runways and taxiways) with PFCs would have to select three contractors and negotiate contracts and subcontracts with them, beginning with the one deemed most qualified. The mandate would result in some additional administrative costs. It also could result in additional contract costs in some cases, and savings in others, depending on the outcome of negotiations. In total, CBO estimates that the net costs of the requirement would be small.

Access to Criminal History Records. The bill would give the FAA the right to access criminal justice data maintained by the states. Those provisions constitute intergovernmental mandates as defined in UMRA because state and local governments would be required to comply with requests for information from the FAA. Although we cannot predict the extent to which the FAA would request such access or make inquiries of state or local police officers, CBO estimates that the additional costs to state, local, and tribal governments of complying with these requests would be small.

Contingency Plans. The bill would require certain airport operators to submit contingency plans to DOT for emergency circumstances that ground aircraft. CBO estimates that the costs of complying with this mandate would be minimal.

Other Impacts. The bill would benefit public airport authorities by authorizing an increase in the passenger facility charges that airports may use to fund FAA-approved projects. In addition, state and local governments would benefit from grants for planning, development, noise mitigation, and other initiatives at airports. Any costs they might incur would result from complying with conditions of federal assistance.

Mandates That Apply to Private Entities Only

Limits on the Level of Aircraft Noise. H.R. 915 would prohibit, with certain exemptions, the operation of civil aircraft weighing 75,000 pounds or less in the 48 contiguous states if the aircraft does not comply with stage-3 noise levels. The FAA classifies aircraft into three stages based on measurements of noise level: stage 1, stage 2, and stage 3—in order from loudest to the least noisy. The prohibition would take effect after December 31, 2013. According to industry sources, compliance could require engine modifications on some existing aircraft or decommissioning of aircraft that cannot be adequately modified. Those sources estimate that the total cost of bringing existing aircraft into compliance could range from $300 million to more than $1 billion, depending on the technology used. CBO expects that the direct cost to comply with the mandate would be largest in 2013, the year before the prohibition would take effect.

Sunset of Antitrust Exemptions. Under this bill, any exemption from antitrust laws previously granted to U.S. air carriers in connection with an international aviation alliance would expire after three years unless renewed by the Secretary. Before the exemptions expire, the bill would require the Secretary to consider recommendations from the Government Accountability Office and adopt policy changes, if necessary, with respect to granting antitrust exemptions for such international alliances. To continue those alliances, air carriers would have to renew their antitrust exemptions subject to any new rules or policies adopted by the Secretary. Several U.S. air carriers are members of existing alliances, and at least one application for an antitrust exemption is pending with DOT. It is uncertain what changes in policy, if any, would be made to the standards for granting such exemptions. Consequently, the extent to which air carriers would have to change business practices or forgo business opportunities is uncertain, and CBO has no basis for estimating the cost of complying with the mandate.

FAA Registration, Certification, and Related Fees. Section 122 would require the FAA to establish a new schedule of fees for certain services and activities of the agency. This requirement would impose a new mandate on entities that are required to register with the FAA or required to obtain specific certifications, such as aircraft owners and pilots. According to the FAA, the new schedule of fees would begin in the middle of fiscal year 2010. Based on the number of entities required to register with the FAA or obtain certification, CBO expects that the incremental cost of the new fees for those private-sector entities would total about $25 million in 2010 and $50 million or more per year thereafter.

Air Carriers: Airline Employee and Service Requirements. The bill would impose several new requirements on air carriers related to airline employees and passenger service. Based on information from industry sources, CBO expects that none of those mandates would impose significant additional costs on air carriers relative to UMRA's threshold.

Mandates related to airline employees would require air carriers to:

- Only hire certified maintenance workers for commercial aircraft;

- Not hire or contract with former safety inspectors previously employed by the FAA to represent them before the FAA if the inspectors' duties in the previous two years involved oversight or inspection of the specific air carrier offering the positions; and

- Provide training for flight attendants and gate attendants that addresses serving alcohol, dealing with disruptive passengers, and recognizing intoxicated persons.

Mandates related to airline passenger service would require air carriers to:

- Prohibit passengers on aircraft from using cell phones or other services known as voice over Internet protocol during a domestic commercial flight;

- Disclose to customers information on consumer complaints and information on countries that require air carriers to treat airplanes with insecticides; and

- Develop and submit reports related to certain emergency contingencies and diverted or cancelled flights.

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