

LEGISLATIVE REPORT

PRESIDENT UNVEILS HIS FISCAL YEAR 2013 BUDGET REQUEST

February 20, 2012

What's at Issue

On February 13, 2012, President Obama released his \$3.8 trillion dollar federal budget proposal for fiscal year 2013 (FY13).

Why It's Important

The budget plan includes a \$100-per flight user fee on aviation and reduces the bonus depreciation schedule for general aviation aircraft from five to seven years, to align with the depreciation schedule for commercial aircraft.

Major Provisions

Revenue Raising Provisions:

- **User Fee:** The President proposes to impose a \$100-per-flight user fee, payable to the Federal Aviation Administration (FAA), on aviation operators who fly in controlled airspace. All piston aircraft, military aircraft, public aircraft, air ambulances, aircraft operating outside of controlled airspace, and Canada-to-Canada flights would be exempted. The administration estimates this fee would generate an estimated \$7.4 billion over 10 years and this revenue would finance roughly three-fourths of airport investments and air traffic control system costs.
- **Eliminate Special Depreciation Rules for Purchases of Aircraft:** Reduces the depreciation schedule of general aviation aircraft from five years to seven year, to match the depreciation schedule of commercial aircraft. The administration claims this provision would reduce the deficit by \$2 billion over 10 years.

Department of Transportation:

- President Obama has requested \$74 billion for the U.S. Department of Transportation for FY13, a \$1.4 billion increase from the amount Congress appropriated for 2012. In addition, the President has requested another \$50 billion to be obligated to transportation projects in the current fiscal year. Of the \$50 billion proposed, \$2 billion would be directed to the Airport Improvement Program (AIP) and \$1 billion for FAA's facilities and equipment account.

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(Major Provisions Continued)

- **National Infrastructure Bank:** Once again, President Obama has called for the creation of an independent, non-partisan National Infrastructure Bank (NIB), led by infrastructure and financial experts to issue loans and loan guarantees to eligible projects. Loans issued by the NIB could be extended up to 35 years, giving the NIB the ability to be a partner with state, local, and private co-investors. To maximize leverage from federal investments, the NIB would finance no more than 50 percent of the total cost of any project.

Federal Aviation Administration:

- The President provides \$15.172 billion for the FAA, a \$728 million decrease in funding for the agency over the 2012 enacted level of \$15.9 billion. This reduction is due to a proposed cut to AIP grants for large and medium hub airports. The administration proposes to offset this cut by asking Congress to grant these airports the authority to increase Passenger Facility Charges to pay for new airport projects.
- The FAA Operations, Facilities and Equipment, and Research and Development accounts received a slight increase, \$1 billion in additional funding for NextGen, which is \$99 million more than was appropriated for 2012.
- The FAA's operations budget is decreased from the Treasury's General Fund by more than \$1.5 billion, and the difference is made up by increasing the share provided from the Airport and Airway Trust Fund. This is a departure from recent FAA budgets, which have included significant General Fund contributions, and reflects the administration's desire to cut spending derived from general government revenue to help reduce the federal budget deficit.

Department of Homeland Security:

- The budget proposal provides \$39.5 billion for the Department of Homeland Security, a decrease of \$191 million or 5% below the amount enacted in 2012.

NATA Position

NATA is opposed to the proposed \$100-per-flight user fee on general aviation. Over the past few years, the U.S. Congress has opposed any type of user fees on aviation to supplement the aviation trust fund. NATA understands the importance of sustaining the trust fund to ensure the safety and modernization of our national airspace system and, for this reason, we have supported a sensible tax increase on general aviation fuels. NATA will remain opposed to any user fee on general aviation that threatens the economic stability of our industry. In addition, the association will support the extension of bonus depreciation for general aviation aircraft, which is an important job-creating incentive for the industry and our country.

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Status

The U.S. Congress will review and consider the proposal provided by President Obama, but it is the authority of Congress to make funding decisions on the FY13 budget.

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