

**OMB COST ESTIMATE
FOR PAY-AS-YOU-GO CALCULATIONS**

Report No: 563
Date: 01/08/2002

1. LAW NUMBER: P.L.107-42 (H.R. 2926)
2. BILL TITLE: Air Transportation Safety and System Stabilization Act
3. BILL PURPOSE: (1) Provides for disaster relief to air carriers in the form of grants and loan guarantees in response to the terrorist attacks of September 11th; (2) facilitates aviation industry access to insurance and provides for assumption by the Federal Government of certain liability of U.S. air carrier; (3) establishes administrative and judicial procedures for compensating victims of the terrorist acts of September 11th; and (4) amends tax provisions relating to airlines.
4. OMB ESTIMATE: P.L. 107-42 is designed to stabilize the air transportation industry and provide compensation to the victims of the terrorist attacks of September 11th. The Act provides \$5 billion in grants and \$10 billion in Federal credit instruments to air carriers. Both forms of aid are designated as emergency spending. The Act also provides compensation for victims, makes changes in the timing of excise tax payments by airlines, and provides assistance to airlines related to insurance costs. These provisions of the Act are to be included on the pay-as-you-go scorecard. The OMB estimate for victims compensation payments assumes almost all eligible claimants apply and does not account for collateral offsets. The cost of the provision could be as much as \$2 billion lower depending on the level of collateral offsets and the number of claimants.

(Fiscal years; in millions of dollars)

| | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Costs subject to pay-as-you-go: | | | | | | |
| Receipts..... | 267 | -267 | 0 | 0 | 0 | 0 |
| Outlays: | | | | | | |
| Victim compensation..... | 0 | 1,200 | 3,000 | 1,800 | 0 | 0 |
| Other..... | 0 | 130 | 0 | 0 | 0 | 0 |
| Subtotal, net pay-as-you-go costs. | 267 | 1,063 | 3,000 | 1,800 | 0 | 0 |
| Costs designated emergency: | | | | | | |
| Grants to airlines..... | 2,328 | 2,672 | 0 | 0 | 0 | 0 |
| Loan guarantee subsidies..... | 0 | 1,500 | 1,500 | 0 | 0 | 0 |
| Subtotal, emergency..... | 2,328 | 4,172 | 1,500 | 0 | 0 | 0 |

5. CBO ESTIMATE:

(Fiscal years; in millions of dollars)

| | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Costs subject to pay-as-you-go: | | | | | | |

| | | | | | | |
|------------------------------------|-------|--------|-------|-------|-----|---|
| Receipts..... | 1,400 | -1,400 | 0 | 0 | 0 | 0 |
| Outlays: | | | | | | |
| Victim compensation..... | 0 | 400 | 2,400 | 2,400 | 800 | 0 |
| Other..... | 0 | 600 | 0 | 0 | 0 | 0 |
| Subtotal, net pay-as-you-go costs. | 1,400 | -400 | 2,400 | 2,400 | 800 | 0 |
| Costs designated emergency: | | | | | | |
| Grants to airlines..... | 2,300 | 2,700 | 0 | 0 | 0 | 0 |
| Loan guarantee subsidies..... | 0 | 500 | 1,500 | 0 | 0 | 0 |
| Subtotal, emergency..... | 2,300 | 3,200 | 1,500 | 0 | 0 | 0 |

6. EXPLANATION OF DIFFERENCES BETWEEN OMB AND CBO ESTIMATES:

CBO scores pay-as-you-go costs of \$6.6 billion for the period 2001 through 2006, \$0.5 billion more than OMB. All the difference in the total cost over the period results from different pricing of provisions providing assistance to airlines for insurance. CBO assumes that benefits will be provided over a longer period of time than OMB does. OMB assumes a quicker payment of victim compensation payments than CBO does, which changes the year by year estimates but not the overall total. Likewise, CBO and OMB have different estimates for the provision delaying certain excise tax payments from 2001 to 2002, which affects the year by year estimates but not the overall total. This difference is the result of different baseline assumptions. The difference between CBO and OMB in pricing the emergency provisions is the result of different assumptions on the volume and timing of loan guarantees that will be made under the Act.

7. CUMULATIVE EFFECT OF DIRECT SPENDING AND REVENUE LEGISLATION ENACTED TO DATE:

| | (Fiscal years; in millions of dollars) | | | | | |
|---------------------|--|-------------|-------------|-------------|-------------|-------------|
| | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Outlay effect..... | 5,503 | 18,093 | 23,298 | 22,835 | 22,088 | 7,436 |
| Receipt effect..... | -69,768 | -34,865 | -84,624 | -103,812 | -104,966 | -123,403 |
| Net costs..... | 75,271 | 52,958 | 107,922 | 126,647 | 127,054 | 130,839 |

[Ed. Note: Copied from the White House website
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