



# Memorandum

**U.S. Department of  
Transportation**

Office of the Secretary  
of Transportation

Office of Inspector General

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Subject: INFORMATION: Notification of Audit of  
Airport Funding and Cost Issues, FAA  
Project Number 02A3001A000

Date: October 31, 2002

From: David A. Dobbs  
Assistant Inspector General  
for Aviation Audits

Reply to  
Attn of: JA-10

To: Chris Bertram  
Assistant Administrator for  
Financial Services/CFO, ABA-1

The Federal Aviation Administration (FAA) provides over \$3 billion annually to airports through the Airport Improvement Program (AIP). In addition, in the last 10 years, airports have collected over \$32 billion in passenger facility charges (PFCs). In the past, AIP funding has primarily been used to build runways or make other infrastructure enhancements to improve the capacity and efficiency of the Nation's air transportation system. PFC collections supplement these efforts by providing funding for terminal expansion, noise abatement and other projects that enhance safety, security, and competition.

AIP and PFC collections have provided airports with a mechanism to address growing capacity problems; however, new challenges have emerged. A downturn in the economy has resulted in reduced revenues to both the Trust Fund that generates the AIP and airports' PFC collections. Also, the events of September 11<sup>th</sup> created new unexpected security requirements and diverted the focus away from the need to fund capacity enhancements.

Although aviation traffic is still down, passenger enplanements are expected to return to pre-September 11<sup>th</sup> levels by 2004 and capacity will again be a concern. Airports are now working with the Transportation Security Administration to determine what enhancements will be needed to address new security requirements. A number of unresolved issues exist with how these enhancements will be paid for, the extent to which AIP funds will be used to pay for security projects, and how FAA and airports will ensure airports are

able to maintain a balance between security and capacity projects. We are initiating a review of these important airport funding issues and plan to evaluate:

- (1) What steps FAA and airports have taken to manage the new funding challenges presented by post-September 11<sup>th</sup> security requirements.
- (2) What steps FAA and airports are taking to ensure major capacity projects remain on schedule and within established budgets, given the recent economic downturn.
- (3) How AIP and PFC funds have been used to enhance capacity and whether changes need to be made in the administration of these funding programs.
- (4) How FAA monitors the AIP and PFC programs to verify that expenditures match approved project plans and program objectives.

We plan to begin audit work during the week of November 4, 2002.

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cc: FAA Administrator, AOA-1  
Associate Deputy Secretary and Director, Office of Intermodalism, S-3  
Assistant Secretary for Aviation and International Affairs, X-1  
Assistant Secretary for Budget and Programs/Chief Financial Officer, B-1  
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