



Highlights of [GAO-07-885](#), a report to Subcommittee on Aviation Committee on Transportation and Infrastructure, House of Representatives

Why GAO Did This Study

To address the strain on the aviation system, the Federal Aviation Administration (FAA) has proposed transitioning to the Next Generation Air Transportation System (NextGen). To fund this system and to make its costs to users more equitable, the Administration has proposed fundamental changes in the way that FAA is funded.

As part of the reauthorization, the Administration proposes major changes in the way that grants through the Airport Improvement Program (AIP) are funded and allocated to the 3,400 airports in the national airport system. In response, GAO was asked for an update on current funding levels for airport development and the sufficiency of those levels to meet planned development costs. This report comprises capital development estimates made by FAA and Airports Council International (ACI), a leading industry association; analyzes how much airports have received for capital development and if sustained, whether it can meet future planned development; and summarizes the effects of proposed changes in funding for airport development.

Airport funding and planned development data are drawn from the best available sources and have been assessed for their reliability. The Department of Transportation agreed with the findings of this report. This report does not contain recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-07-885.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gerald L. Dillingham at (202) 512-2834 or DillinghamG@gao.gov.

AIRPORT FINANCE

Observations on Planned Airport Development Costs and Funding Levels and the Administration's Proposed Changes in the Airport Improvement Program

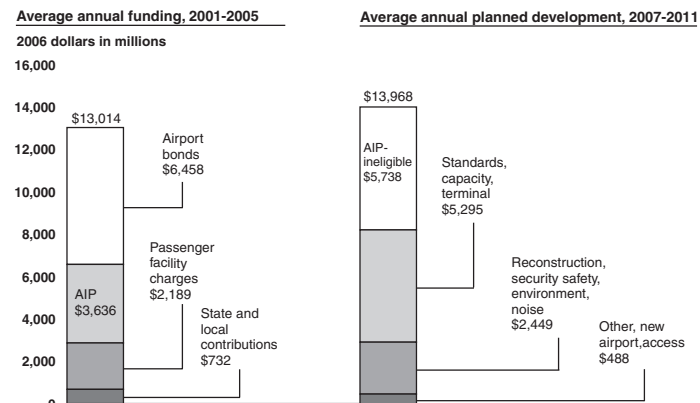
What GAO Found

Planned airport development costs total at least \$14 billion annually over the next 5 years as expressed in 2006 dollars. This estimate is a combination of FAA's estimate of \$8.2 billion in AIP grant-eligible projects and \$5.8 billion from ACI's estimate of projects not eligible for AIP. FAA's estimate is based on airport master plans that FAA planners have reviewed and entered into a database of all national system airports. ACI also estimates airports' planned development, based on a survey of the 100 largest airports and includes all projects regardless of grant eligibility.

From 2001 through 2005, airports received an average of about \$13 billion a year for planned capital development. This amount covers all types of projects, including those not eligible for federal grants. The primary source of this funding was bonds, which averaged almost \$6.5 billion per year, followed by federal grants and passenger facility charges (PFC), which accounted for \$3.6 billion and \$2.2 billion, respectively (see figure below). If airports continue to attract this level of funding for planned capital development, this amount would annually fall at least \$1 billion short of the \$14 billion in total planned development costs (the sum of FAA's estimated \$8.2 billion in eligible costs and the industry's \$5.8 billion in ineligible costs). Larger airports foresee a decline of at least \$600 million annually, while smaller airports foresee a decline of at least \$400 million annually.

FAA's reauthorization proposal would reduce the size of AIP by \$750 million but increase the amount that airports can collect from PFCs. However, the benefit from increased PFCs would accrue mostly to larger airports and would not offset a reduced AIP grants program for smaller airports. The proposal would also change the way that AIP and other FAA programs are funded. The new fuel taxes that FAA has proposed may not provide the revenues for AIP that FAA anticipates.

Comparison of Past Airport Funding to Future Development Costs



Sources: GAO analysis of FAA, ACI, Thomson Financial, and state grant data.