

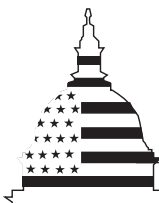
GAO

Report to the Committee on
Transportation and Infrastructure,
House of Representatives

October 2002

AIRPORT FINANCE

Using Airport Grant Funds for Security Projects Has Affected Some Development Projects



G A O

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Figure 1: AIP Grant Funds Awarded for Security Projects, Fiscal Years 1982 through 2002

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Abbreviations

AIP	Airport Improvement Program
ATSA	Aviation and Transportation Security Act
DOT	Department of Transportation
FAA	Federal Aviation Administration
LOI	letter of intent
NPIAS	National Plan of Integrated Airport Systems
TSA	Transportation Security Administration



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United States General Accounting Office
Washington, DC 20548

October 15, 2002

The Honorable Don Young, Chairman
The Honorable James L. Oberstar, Ranking Democratic Member
Committee on Transportation and Infrastructure
House of Representatives

The events of September 11, 2001, created several new challenges for the aviation industry in ensuring the safety and security of our national airport system. Chief among them is deciding to what extent Airport Improvement Program (AIP) grant funds should be used to finance the new security requirements at the nation's airports. While many in the aviation industry believe that funding security projects has become even more important in the aftermath of September 11, they also recognize the need to continue funding other airport development projects, such as those designed to enhance capacity in the national airport system.

Recognizing that a clear understanding of how AIP grant funds were awarded before and after September 11 is an important step in determining the future funding levels of AIP, as agreed with your office, we are addressing the following questions:

- How does the amount of AIP funding awarded to airports for security projects after the events of September 11, 2001, compare with the funds awarded for security projects before then?
- To what extent did the airport security projects that received AIP funding after the events of September 11, 2001, meet legislative and program eligibility requirements?
- How has the use of AIP funding for airport security projects after the events of September 11, 2001, affected AIP funding for other airport development projects?

Results in Brief

During fiscal year 2002, the Federal Aviation Administration (FAA) awarded a total \$561 million in AIP grant funds to airports for security projects related to the events of September 11, 2001.¹ This \$561 million

¹In addition, in fiscal year 2001, FAA awarded \$13 million for security projects related to the events of September 11, 2001.

represents approximately 17 percent of the \$3.3 billion available for AIP grants in fiscal year 2002 and is the largest amount awarded to airports for security projects in a single year since the program began in 1982. In contrast, FAA awarded an average of less than 2 percent of the program's total funding to security projects for fiscal years 1982 through 2001. During this period, AIP grant funds awarded to airports for security projects ranged from \$2 million in fiscal year 1982 to \$122 million in fiscal year 1991, when airports implemented new security requirements governing access controls, according to FAA Airport Planning and Programming officials.² Additionally, the \$561 million FAA awarded to airports for security projects in fiscal year 2002 represents more than an 800 percent increase over the \$57 million for security projects awarded in fiscal year 2001.

Based on data provided by FAA, all of the security projects funded with AIP grants since the events of September 11, 2001, met the legislative and program eligibility requirements. The projects, which range from access control systems to terminal modifications, qualified for AIP funding either under eligibility requirements in effect before September 11, 2001, or under subsequent statutory and administrative changes. The Aviation and Transportation Security Act (ATSA), passed in November 2001, amended existing legislation governing AIP eligibility to permit funding for fiscal year 2002 of any security-related activity required by law or the Secretary of Transportation after September 11, 2001, and before October 1, 2002. This legislation also permits FAA to use AIP funds for replacing airport baggage systems and the reconfiguration of terminal baggage areas to accommodate explosives detection systems. In addition to these legislative changes, FAA issued new program guidance that clarified project eligibility requirements as defined in 49 U.S.C. Section 47102(3) to include, among other items, surveillance equipment, blast proofing of terminals, and explosives detection canines for use in terminals.

Although FAA Airport Planning and Programming officials stated that they were able to comply with statutory requirements, set-asides, and other program priorities, the \$504 million increase in AIP grant funds for new security projects in fiscal year 2002 has affected the amount of funds available for some airport development projects in comparison with the distribution of AIP grant funds awarded in fiscal year 2001. According to these officials, they fully funded projects related to

²The dollar amounts of AIP grant funds awarded in fiscal years 1982 through 2001 were converted to 2002 constant dollars. AIP funds awarded for security projects in 1991 totaled \$99 million in nominal dollars.

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- safety and security;
 - noise mitigation and reduction;
 - congressional earmarks; and
 - all phased projects that had been previously funded under AIP.

FAA was able to fully fund these projects, in part, because of a record level of carryover apportionments,³ which totaled \$355 million, and the \$84 million in grant funds that were recovered from prior-year projects.

However, there were reductions in AIP funding awarded to nonsecurity projects in fiscal year 2002, as compared with fiscal year 2001. For example, there was an almost \$156 million decrease in standards projects and a \$148 million decrease in reconstruction projects. Similar decreases also occurred to the distribution of AIP grant funds by airport type. Although large and small hub airports received increases in their AIP funds, nonhub and reliever airports received the greatest reduction in their funding in fiscal year 2002, as compared with fiscal year 2001. FAA also deferred three letter-of-intent (LOI) payments under consideration prior to September 11, 2001, that totaled \$28 million, until fiscal year 2003 or later. The following three airports did not have discretionary funds included in their scheduled LOI payments for fiscal year 2002:

- Hartsfield International Airport in Atlanta, Georgia, which is the busiest airport in the country with almost 40 million enplanements per year and was one of the most delayed airports in 2000 and 2001, had \$10 million for a runway extension deferred.
- Cincinnati/Northern Kentucky Airport in Covington, Kentucky, another large airport with 11 million enplanements per year, had \$10 million for a new runway deferred.
- Indianapolis Airport in Indianapolis, Indiana, a medium-sized airport with almost 4 million enplanements per year, had \$7.5 million for a new apron and taxiway deferred.

Airports Council International also reported that airports have delayed almost \$3 billion in airport capital development because of new security requirements, most of which dealt with terminal developments. Finally, although the increase in AIP funds for security projects in fiscal year 2002

³This term and others that are used in this report are defined in a glossary at the end of this report.

has affected funding for other airport projects, the impact of funding security projects in fiscal year 2003 is unclear. The impact will depend on a number of policy decisions. These include determining the extent to which terminal modifications to install explosives detection systems, which are estimated to cost between \$2 billion and \$7 billion, should be financed with AIP grant funds.⁴

Background

The multibillion dollar AIP provides grant funds for capital development projects at airports included in the National Plan of Integrated Airport Systems (NPIAS).⁵ In administering AIP, FAA must comply with various statutory formulas and set-asides established by law, which specify how AIP grant funds are to be distributed among airports (see app. II for a list of airports that are eligible to receive AIP grant funds). FAA groups the proposed projects into one of the following seven development categories, according to each project's principal purpose:

- Safety and security includes development that is required by federal regulation and is intended primarily to protect human life. This category includes obstruction lighting and removal; fire and rescue equipment; fencing; security devices; and the construction, expansion, or improvement of a runway area.
- Capacity includes development that will improve an airport for the primary purpose of reducing delay and/or accommodating more passengers, cargo, aircraft operations, or based aircraft. This category includes construction of new airports; construction or extension of a runway, taxiway, or apron; and construction or expansion of a terminal building.
- Environment includes development to achieve an acceptable balance between airport operational requirements and the expectations of the residents of the surrounding area for a quiet and wholesome environment. This category includes noise mitigation measures for residences or public buildings, environmental mitigation projects, and the installation of noise-monitoring equipment.

⁴In P. L. 107-206, Congress appropriated \$738 million to the Transportation Security Administration for terminal modifications to install explosives detection systems.

⁵NPIAS is a 5-year plan that identifies airports development projects that are critical to ensuring a safe and efficient national airspace system.

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- Planning includes development needed to identify and prioritize specific airport development needs. This category includes the airport master plan, airport layout plan, a state system plan study, or an airport feasibility study.
 - Standards include development to bring existing airports up to FAA's design criteria. This category includes the construction, rehabilitation, or expansion of runways, taxiways, or aprons; the installation of runway or taxiway lighting; the improvement of airport drainage; and the installation of weather reporting equipment.
 - Reconstruction includes development to replace or rehabilitate airport facilities, primarily pavement and lighting systems that have deteriorated due to weather or use. This category includes the rehabilitation or reconstruction of runways, taxiways, apron pavement, and airfield lighting.
 - Other includes all other development necessary for improving airport capacity and the safe and efficient operations. This category includes people movers, airport ground access projects, parking lots, fuel farms, and training systems. It also includes development for converting military airfields to civilian use, such as those authorized by the military airport program.

FAA has traditionally assigned the highest priority to safety and security projects that are mandated by law or regulation. Shortly after September 11, in response to increased security requirements and in exercising the authority granted under the Federal Aviation Reauthorization Act of 1996, FAA reviewed its AIP eligibility requirements and made several changes to permit the funding of more security projects that previously had not been funded by AIP. For example, FAA broadened the list of eligible projects to include explosives detection canines, cameras in terminals, and blast proofing of terminals. According to officials in FAA's Airport Planning and Programming Division, the types of security projects eligible for AIP funding were expanded because the perceived threat area at an airport grew from those areas immediately surrounding an aircraft to terminal areas where large numbers of people congregated. Table 1 summarizes significant eligibility changes since September 11, 2001.

Table 1: Changes in AIP Eligibility for Airport Development Projects, Since September 11, 2001

Project eligibility status	Examples of projects
Traditionally eligible to receive AIP funding that are still eligible	Computerized access control for ramp areas, closed-circuit television at ramp access doors, explosives detection devices used to inspect suspicious packages, fingerprinting equipment, perimeter fencing, explosives disposal equipment, centralized security office, police vehicles identified in security plans, and planning for new security requirements
Eligible to receive AIP funding since September 11, 2001	Explosives detection canines and kennels, cameras, additional security lighting, motion sensors, body armor, blast proofing of terminals and glass, checkpoint exit lane technology, cargo area security equipment or facilities, and land to construct security facilities.
No longer eligible to receive AIP funding because these projects are now the responsibility of the Transportation Security Administration	Air carriers' preboard screening devices (x-ray and metal detection); baggage screening devices, such as explosives detection systems; metal detection hand screening wands; and interactive training systems for security requirements.

Source: GAO's presentation of information from FAA.

In November 2001, eligibility for AIP funding was further broadened by the passage of ATSA, P.L. 107-71. The act amended 49 U.S.C. Section 47102(3) to extend eligibility for AIP funding to any additional security-related activity required by law or the Secretary of Transportation after September 11, 2001, and before October 1, 2002. ATSA also created the Transportation Security Administration (TSA) within the Department of Transportation (DOT), and assigned it primary responsibility for ensuring security in all modes of transportation. As such, TSA is now responsible for funding some airport security-related projects, a limited number of which FAA had previously funded through AIP grant funds. These projects include preboard screening devices and baggage screening equipment, such as explosives detection systems.

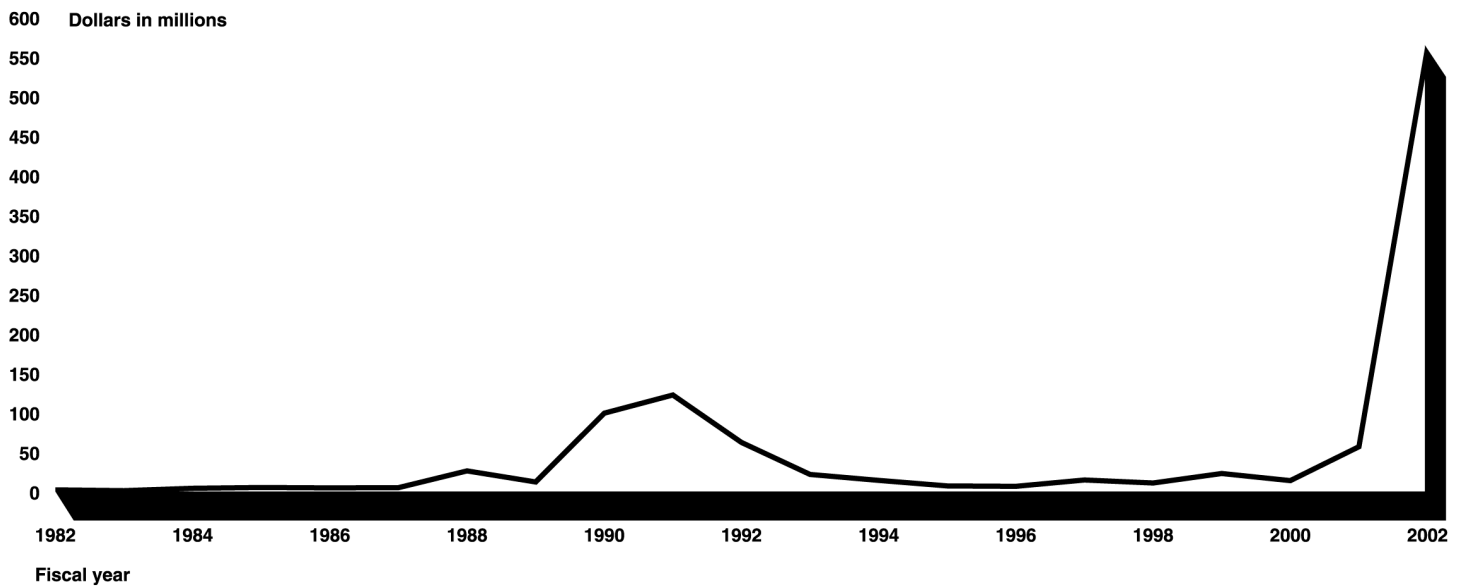
FAA Is Awarding More AIP Grant Funds to Airports for Security Projects in Fiscal Year 2002 Than in Each Previous Year of the Program's History

In fiscal year 2002, FAA awarded a total of \$561 million in AIP grant funds for airport security projects, which represents about 17 percent of the \$3.3 billion available for obligation.⁶ As illustrated in figure 1, the \$561 million is the largest amount awarded for security projects in a single year and contrasts sharply with past funding trends. Since the program's inception in 1982, security projects have accounted for an average of less than 2 percent of the total AIP grant funds awarded each year. During fiscal years 1982 through 2001, AIP grant funds awarded to airports for security projects ranged from \$2 million in fiscal year 1982 to \$122 million in fiscal year 1991, when airports implemented new security requirements governing access controls.⁷ The \$561 million FAA awarded to airports for security projects in fiscal year 2002 represents more than 800-percent increase over the \$57 million for security projects awarded in fiscal year 2001.

⁶In addition, in fiscal year 2001 FAA awarded \$13 million for security projects related to the events of September 11, 2001.

⁷AIP funds awarded for security projects in 1991 totaled \$99 million nominal dollars.

Figure 1: AIP Grant Funds Awarded for Security Projects, Fiscal Years 1982 through 2002



Source: GAO's analysis of AIP grant awards.

Note: AIP grant funds awarded in fiscal years 1998 through 2001 were converted to 2002 constant dollars.

As shown in table 2, among airport types, nearly all of the \$561 million awarded in fiscal year 2002 for security projects was awarded to large, medium, small, and nonhub airports,⁸ which is consistent with where FAA has received the largest number of requests for AIP grants for security projects. General aviation and reliever airports received about 1 percent of the \$561 million awarded in fiscal year 2002.

⁸For purposes of this analysis, we used FAA's definition of large, medium, and small hub airports, whereby large and medium hub airports have at least 0.25 percent of all passenger enplanements and small hub airports have between .05 and .25 percent of all enplanements.

AIP Grants Awarded to Airports for Security Projects since September 11, 2001, Met Legislative and Program Eligibility Requirements

Table 2: Distribution of AIP Grant Funds Awarded for Security Projects by Airport Type, Fiscal Year 2002

Dollars in millions

Airport type	Grant award amount	Percentage of total AIP security funding
Large hub	\$278.3	50%
Medium hub	119.4	21
Small hub	108.3	19
Nonhub	44.9	8
Other commercial service	7.0	1
Reliever and general aviation	3.2	1
Total	\$561	100%

Source: GAO's analysis of AIP grant awards.

Based on data provided by FAA, all security projects awarded AIP grants since September 11, 2001, have met legislative and program eligibility requirements. Most of these projects would have qualified for AIP funding under eligibility requirements in place prior to September 11, 2001. For example, as shown in table 3, perimeter fencing, surveillance and fingerprinting equipment, and access control systems, which together accounted for almost half of AIP funding for security projects, qualified under traditional eligibility regulations.

Table 3: Distribution of AIP Grant Funds Awarded for Security Projects by Project Type, Fiscal Year 2002

Dollars in millions

Type of security project	Grant award amount	Percentage of total security funding
Terminal modifications	\$249.9	44.5%
Access control	141.8	25.3
Surveillance and fingerprinting equipment	51.4	9.2
Perimeter fencing	78.1	13.9
Explosives detection canines and kennels	1.6	0.3
Reimbursement of direct costs of meeting security requirements mandated by ATSA	14.2	2.5
Other	24.1	4.3
Total	\$561	100%

Source: GAO's analysis of AIP grant awards.

Other projects that would not have qualified for AIP funding prior to September 11, 2001, such as explosives detection canines and kennels, are now eligible under legislative and administrative changes implemented since then. Section 119(a) of ATSA amended 49 U.S.C. Section 47102(3) to permit funding of any security-related activity required by law or the Secretary of Transportation after September 11, 2001, and before October 1, 2002. In addition, ATSA also amended 49 U.S.C. Section 47102(3) to make the replacement of baggage conveyor systems and terminal modifications that the Secretary determines are necessary to install explosives detection systems eligible for AIP grants.

In addition to the AIP eligibility changes in ATSA, FAA issued a series of program guidance letters in the winter of 2002 that either restated or clarified project eligibility requirements as defined under 49 U.S.C. Section 47102(3). Under FAA's Program Guidance Letter 02-2, requests for AIP grant funds for security projects after September 11, 2001, are divided into the following three categories:

- Unquestionably eligible projects include those that are intended to prevent unauthorized individuals from accessing the aircraft when it is parked on aprons, taxiways, runways, or any other part of the airport's operations area.
- Projects eligible with additional justification include automated security announcements over public address systems and terminal improvements for checked baggage or passenger screening.
- Projects that appear to exceed known requirements include those related to areas of a police facility, command and control or communications centers that support general law enforcement duties, and equipment federal screeners use to screen passengers and baggage.

Increase in AIP Funding for Security Projects Has Affected Funding for Some Airport Development Projects in Fiscal Year 2002 and Could Have a Greater Effect in Fiscal Year 2003

The unprecedented increase in AIP grant funds awarded to airports for security projects in fiscal year 2002 has affected the amount of funding available for some airport development projects, in comparison with fiscal year 2001. FAA Airport Planning and Programming officials stated that they were able to fully fund many program priorities, including:

- all set-aside requirements, such as the noise mitigation and reduction program and the military airport program;
- all safety projects, including those related to FAA's initiatives to improve runway safety and reduce runway incursions;
- congressional earmarks; and
- all phased projects that had been previously funded with AIP grant funds, including the 10 runway projects which are being built at primary airports.⁹

According to FAA Planning and Programming officials, a variety of factors enabled them to reduce the impact of awarding \$561 million in AIP grant funds for security projects. Most notable was the record level of carryover apportionments, which totaled \$355 million, and the \$84 million in grant funds that FAA recovered from prior-year projects. FAA subsequently converted these funds into discretionary funds and used \$333 of the \$439 million to offset the discretionary funds that were provided for security projects. The remaining \$106 million was used to fund other airport development projects, such as some new capacity, standards, and reconstruction projects, which FAA initially believed it would not be able to fund because of the need to ensure that security projects were given the highest priority for AIP funding.

However, when comparing grant award amounts for fiscal years 2001 and 2002, the \$504-million increase in AIP grant funds for security projects in fiscal year 2002 contributed to a decrease in the amount of funding available for nonsecurity development projects. For example, as shown in table 4, the greatest reduction occurred in standards, which decreased by \$156 million, from almost 30 percent of AIP funding in fiscal year 2001 to 25 percent of AIP funding in fiscal year 2002. The next largest reduction occurred in reconstruction, which decreased by \$148 million, from almost 23 percent of AIP funding in fiscal year 2001 to 18 percent in fiscal year

⁹See appendix I for list of runway projects at major airports.

2002. Environment, safety, and capacity projects also decreased by \$97 million, \$66 million, and \$40 million, respectively.

Table 4: Distribution of AIP Grant Funds by Development Category, Fiscal Years 2001 and 2002

Dollars in millions

Development category	2001 grant award amount	2002 grant award amounts	Difference between 2001 and 2002 grant award amounts	Percentage of 2001 budget	Percentage of 2002 budget
Capacity	\$517.9	\$477.6	\$-40.3	15.8%	14.8%
Environment	417.0	319.8	-97.2	12.7	9.9
Planning	55.5	53.5	-2.0	1.7	1.7
Reconstruction	740.7	592.7	-147.9	22.6	18.4
Safety	203.7	137.5	-66.2	6.2	4.3
Security	56.6	561.0	504.4	1.7	17.4
Standards	968.1	812.4	-155.6	29.5	25.2
Other	323.7	266.8	-56.9	9.9	8.3
Totals	\$3,283	\$3,222	\$-62	100%	100%

Source: GAO's analysis of AIP grant awards.

Airport Council International also stated that the increase in AIP funding for security has affected other airport development projects. It reported that airports have delayed almost \$3 billion in airport capital development, most of which dealt with terminal developments, because of new security requirements.

According to FAA Airport Planning and Programming officials, the decreases in AIP funding for the nonsecurity categories cannot be attributed solely to the increase in funding for security. For example, they stated that the decrease in the safety category occurred because the types of projects identified as necessary to comply with Part 139 safety regulations vary from year to year based on a number of factors, including the results of airport certification inspections and individual airports' equipment retirement policies. The decline in the environment category, which includes noise mitigation, occurred, in part, because the amount of discretionary funds available in fiscal year 2002 was lower than in fiscal year 2001, according to FAA Airport Planning and Programming officials. The noise mitigation and reduction program is required by statute to receive 34 percent of available discretionary funds.

The increase in AIP funding for security also affected the distribution of AIP grant funds by airport type. As shown in table 5, in comparison with fiscal year 2001, large and small hub airports received increases in AIP funding, while all other airports experienced decreases in fiscal year 2002.

AIP funding to large hub airports increased by almost \$111 million, or almost 4 percent of total AIP funding, while funding to small hub airports increased by almost \$32 million, or 1 percent, in fiscal year 2002. In contrast, the greatest reductions in AIP funding were among nonhub airports, which decreased from almost \$650 million in fiscal year 2001 to almost \$510 million in fiscal year 2002, followed by reliever airports, which decreased from \$213 million in fiscal year 2001 to almost \$164 million in fiscal year 2002.

Table 5: Distribution of AIP Grant Funds by Airport Type, Fiscal Years 2001 and 2002

Dollars in millions

Airport type	2001 grant award amount	2002 grant award amount	Difference between 2001 and 2002 grant award amount	Percentage of 2001 budget	Percentage of 2002 budget
Large hub	\$745.9	\$856.8	\$110.9	22.7%	26.6%
Medium hub	446.9	435.6	-11.3	13.6	13.5
Small hub	475.6	507.3	31.7	14.5	15.7
Non hub	649.9	509.5	-140.4	19.8	15.8
Other commercial service	59.4	49.2	-10.2	1.8	1.5
General Aviation	424.3	423.6	-.7	12.9	13.1
Reliever	213.2	163.8	-49.3	6.5	5.1
System planning	268.1	275.7	7.6	8.2	8.6
Totals	\$3,283	\$3,222	\$-62	100%	100%

Source: GAO analysis of AIP grant awards.

The increase in AIP funding for security projects contributed to the decreases in the amount of funding available for some airports. For example, the increase in AIP funding to large hub airports can be attributed to their proportionally higher security needs. In the case of the decrease in AIP funding to nonhub airports, FAA Airport Planning and Programming officials said that their security needs were much lower than those of large hub airports, accounting for only \$44 million, or 8 percent, of the \$561 million awarded in fiscal year 2002.

The unprecedented \$504 million increase in funding for security also affected the LOI payment schedules that FAA planned to issue in fiscal year 2002. FAA deferred three LOI payments that were under consideration prior to September 11, 2001, that totaled \$28 million, until fiscal year 2003 or later. Letters of intent are an important source of long-term funding for capacity projects at large airports. These letters represent a nonbinding commitment from FAA to provide multiyear funding to airports beyond the current authorization period. As a result, airports are able to proceed with projects without waiting for future AIP grant funds with the understanding that allowable costs will be reimbursed. The

following three airports did not have discretionary funds included in their scheduled LOI payments for fiscal year 2002:

- Hartsfield International Airport in Atlanta, Georgia, which is the busiest airport in the country, with almost 40 million enplanements per year. It also was one of the most delayed airports in 2000 and 2001, and had \$10 million for a runway extension deferred.
- Cincinnati/Northern Kentucky Airport in Covington, Kentucky, a large airport with 11 million enplanements per year, had \$10 million deferred.
- Indianapolis Airport in Indianapolis, Indiana, a medium-sized airport with almost 4 million enplanements per year, had \$7.5 million for a new apron and taxiway deferred.

According to FAA Airport Planning and Programming officials, prior to September 11, 2001, the agency had planned to include discretionary funding in fiscal year 2002 for the LOI payments scheduled to these three airports. However, their funding has been deferred until fiscal year 2003 or later because of the need to ensure that adequate funds would be available for security projects. Nonetheless, these officials stated that for each of these three airports, the letters of intent were adjusted upward to compensate the airports for the additional carrying costs they incurred because the payments were deferred.

Moreover, FAA Airport Planning and Programming officials believe that reduced funding for capacity projects in fiscal year 2002 will not have dramatic consequences in the immediate future because of the current decline in passenger traffic. However, they stated that if capacity projects continue to be underfunded, the congestion and delay problems that plagued the system in 2000 and 2001 could return when the economy recovers. Similarly, FAA officials stated that although a 1-year reduction in AIP funding for reconstruction projects would not have a dramatic impact on runway pavement conditions, a sustained reduction could cause significant deterioration in pavement conditions.

Finally, the effect of increasing AIP grant funds for security projects in fiscal years 2003 and beyond cannot currently be estimated with any certainty. Nonetheless, preliminary indications suggest that the total amount of funding needed for security projects in fiscal years 2003 and beyond could be substantially higher than in fiscal year 2002 and previous years. For example, security projects in the 1998 through 2002 NPIAS report to Congress totaled \$143 million, while security requests in the current NPIAS, 2001 through 2005, have increased to \$1.6 billion. Most of

the uncertainty over how much funding is needed is dependent on pending decisions by Congress in conjunction with DOT, TSA, and FAA regarding how TSA plans to fund the terminal modifications needed to install and deploy explosives detection systems and the extent to which AIP grant funds might be needed to help cover these costs. DOT's Inspector General testified that capital costs associated with deploying the new explosives detection systems alone could exceed \$2.3 billion. Representatives of Airport Council International and the American Association of Airport Executives stated that the costs for modifying terminals and baggage conveyor system to accommodate explosives detection systems could be as high as \$7 billion. In P. L. 107-206, Congress appropriated \$738 million to the Transportation Security Administration for terminal modifications to install explosives detection systems.

Scope and Methodology

To determine how the amount of AIP grant funds awarded to airports for security projects before September 11, 2001, compared with funds awarded after September 11, we obtained AIP expenditure data for fiscal years 1982 through 2002 from FAA's AIP database that showed the amounts of AIP grant funds awarded, the types of projects funded, and the types of airports that received the funds. To identify funding trends, we compared the amount of AIP funding awarded for security-related projects with other airport development projects for fiscal years 1998 through 2002. To develop a more realistic comparison of how much AIP funding has increased over time, we converted nominal dollar figures into constant 2002 dollars, using fiscal year price indexes constructed from gross domestic product price indexes prepared by the U.S. Department of Commerce. We subsequently discussed the data and our findings with FAA Airport Planning and Programming officials. While we verified the accuracy of the AIP expenditure data, we did not independently review the validity of FAA's AIP database, from which the data were derived.

To determine whether the new security projects met legislative and program eligibility requirements, we reviewed title 49 of U.S.C., ATSA, and FAA's regulations and recently issued program guidance for eligibility requirements. We also interviewed FAA Airport Planning and Programming officials to clarify questions regarding eligibility requirements and to obtain additional information on the distribution of AIP grant funds.

To assess how the use of AIP grant funds for security projects affected other airport development projects, we compared the amount of AIP grant funds awarded in fiscal years 2001 and 2002 by development category and airport type. We also interviewed FAA, TSA, and Airport Council

International officials and reviewed the preliminary results of the Council's survey of its members regarding changes to the status of their capital development projects due to the events of September 11, 2001.

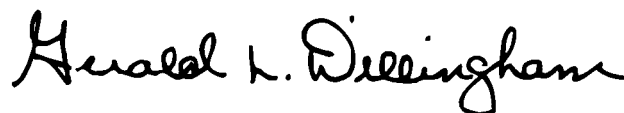
Agency Comments

We provided the Department of Transportation with a copy of the draft report for its review and comment. FAA and TSA officials agreed with information contained in this report and provided some clarifying and technical comments that we made where appropriate.

We performed our work from June through October 2002 in accordance with generally accepted government auditing standards.

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 10 days from the date of this letter. At that time, we will send copies to interested congressional committees; the Secretary of Transportation; the Administrator, FAA; and the Administrator, TSA. We will also make copies available to others upon request. This report is also available at no charge on GAO's Web site at <http://www.gao.gov>.

Please contact me or Tammy Conquest at (202) 512-2834 if you have any questions. In addition, Jean Brady, Jay Cherlow, David Hooper, Nancy Lueke, and Richard Swayze made key contributions to this report.



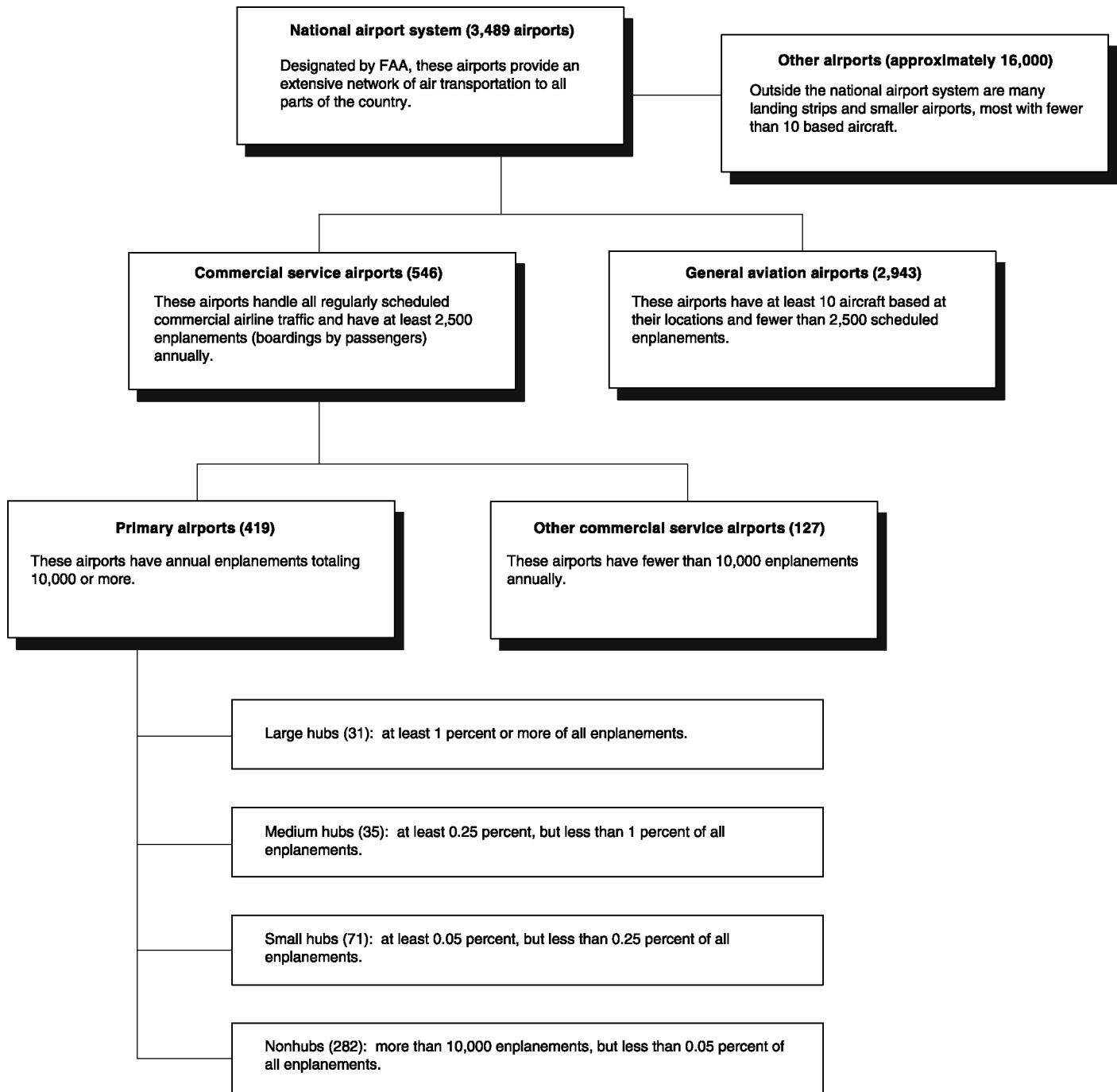
Gerald L. Dillingham, Ph.D
Director, Physical Infrastructure Issues

Appendix I: List of Runway Projects at Major Airports

Airport	Runway status	Projected opening date
William B Hartsfield Atlanta International	Under construction	2006
Cleveland-Hopkins International	Under construction	2004
Denver International	Under construction	2003
Detroit Metropolitan Wayne County	Construction completed	Opened 2001
George Bush Intercontinental	Under construction	2003
Miami International	Under construction	2003
Minneapolis-St. Paul International/World-Chamberlain	Under construction	2004
Orlando International	Under construction	2003
Lambert-St Louis International	Under construction	2006
Seattle-Tacoma International	Under construction	2006

Source: GAO's presentation of data provided by FAA.

Appendix II: Airports Eligible to Receive AIP Funding



Source: FAA.

Glossary

Apportionment funds	Statutory provisions require that AIP funds be apportioned by formula each year to specific airports or types of airports. Such funds are available to airports in the year they are first apportioned and they remain available for the 2 fiscal years immediately following (or 3 fiscal years for nonhub airports). Recipients of apportioned funds are primary airports, cargo service airports, states and insular areas, and Alaska.
Apron	The paved part of an airport's airfield immediately adjacent to terminal areas and hangars.
Capacity, safety, security, and noise projects	Grants that are to be used for preserving or enhancing the capacity, safety, security, and carrying out noise compatibility planning and programs at primary and reliever airports.
Cargo service airports	Airports that, in addition to any other air transportation services that may be available, are served by aircraft providing air transportation only of cargo with a total annual landing weight (the weight of aircraft transporting only cargo) of more than 100 million pounds.
Carryover apportionments	Funds apportioned for primary or cargo service airports, states, and Alaskan airports remain available for obligation during the fiscal year for which the amount was apportioned and the 2 fiscal years immediately after that year (or the 3 fiscal years immediately following that year in the case of nonhub airports). When such funds are not used in the fiscal year of the apportionment, they are carried over to following year(s).
Commercial service airports	Airports that handle regularly scheduled commercial airline traffic and have at least 2,500 annual passenger enplanements.
Discretionary funds	Those funds generally remaining after apportionment funds are allocated, but a number of statutory set-asides are established to achieve specified funding minimums.
Enplanements	Passenger boardings.

General aviation airports	Airports that have no scheduled commercial passenger service.
Large hub airports	Primary airports that have at least 1 percent of all annual enplanements.
Letter of Intent	A letter FAA issues to airports stating that it will reimburse them for the costs associated with an airport development project according to a defined schedule when funds become available. FAA uses this letter when its current obligating authority is not timely or adequate to meet an airport's planned schedule for a project.
Medium hub airports	Primary airports that have between .25 percent and 1 percent of all annual enplanements.
Military airport program	Under this program, a special set-aside of the discretionary portion of AIP is to be used for capacity and/or conversion-related projects at up to 15 current and former military airports. Such airports are eligible to participate in the program for 5 fiscal years and may be extended for 5 more years if approved by the Secretary of Transportation. The airports are designated as a civil commercial service or reliever airport in the national airport system. Approved projects must be able to reduce delays at an existing commercial service airport that has more than 20,000 hours of annual delays in commercial passenger aircraft takeoffs and landings.
National airport system	The set of airports designated by FAA as providing an extensive network of air transportation to all parts of the country. It is comprised of commercial service airports and general aviation airports.
Noise projects	AIP projects that reduce airport-related noise or mitigate its effects. Eligible noise projects generally fall into the following categories: land acquisition, noise insulation, runway and taxiway construction (including associated land acquisition, lighting, and navigational aids), noise-monitoring equipment, noise barriers, and miscellaneous.
Nonhub airports	Primary airports that have over 10,000 annual enplanements, but less than .05 percent of all annual enplanements.

Obligation	An obligation occurs when FAA makes an award to an airport sponsor, thereby obligating FAA to fund a project under AIP.
Other commercial service airports	Airports that have between 2,500 and 10,000 annual passenger enplanements from scheduled commercial service.
Primary airports	Airports that have 10,000 or more annual passenger enplanements from scheduled commercial service.
Reliever airports	Airports designated by FAA to relieve congestion at a commercial service airport and to provide improved general aviation access to the overall community. Only general aviation airports have been designated as reliever airports.
Set-aside funds	The portion of discretionary funds set-aside designed to achieve specified funding minimums established by Congress.
Small airport fund	The passenger facility charge program requires large and medium hub airports participating in the program to return a portion of their AIP apportionment funds. Airports charging a passenger facility charge of \$3.00 or less must return up to one-half of their AIP apportionment funds, and airports charging over a \$3.00 passenger facility charge must return up to 75 percent of their AIP apportionment fund's. Congress requires most of the returned AIP funds to be put in the small airport fund, which FAA redistributes to small airports.
Small hub airports	Primary airports that have from .05 percent to .25 percent of all annual enplanements.
State block grant program	States assume responsibility for administration of AIP grants at airports classified as other than primary (other commercial service, reliever, and general aviation airports). Each state is responsible for determining which locations within its jurisdiction will receive funds and for ongoing project administration. This program is available only to selected states.

System planning

AIP grants for the purpose of studying aspects of a regional or statewide airport system. These studies usually include primary and nonprimary airports. Most system planning grants are issued to metropolitan planning organizations or state aviation agencies.

Taxiway

Paved sections of an airport's airfield that connect runways with aprons.

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