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Highlights

Highlights of GAO-07-617T, a testimony to Before the Subcommittee on Aviation, House Committee on Transportation and Infrastructure

AIRPORT FINANCE

Preliminary Analysis Indicates Proposed Changes in the Airport Improvement Program May Not Resolve Funding Needs for Smaller Airports

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 finance this system and to make its costs to users more equitable, the administration has proposed fundamental changes in the way that FAA is financed.

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 testimony comprises capital development estimates made by FAA and Airports Council International (ACI), the chief industry association; analyzes how much airports have received for capital development and whether this is sufficient to meet future planned development; and summarizes the effects of proposed changes in funding for airport development.

This testimony is based on ongoing GAO work. Airport funding and planned development data are drawn from the best available sources and have been assessed for their reliability.

This testimony does not contain recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-07-617T.

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.

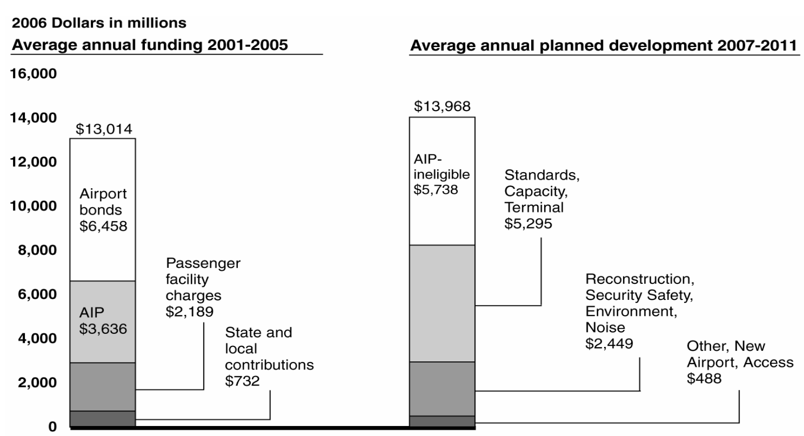
What GAO Found

ACI's estimate for planned development costs is considerably larger than FAA's, reflecting a broader range of projects included as well as differences in when and how the estimates are made. For 2007 through 2011, FAA estimated annual planned capital development costs at $8.2 billion, while ACI estimated annual costs at $15.6 billion. The estimates differ primarily because FAA's estimate only includes projects that are eligible for AIP grants, while ACI's covers all projects, including $5.8 billion for projects not eligible for federal funding, such as parking garages.

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 about $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 shortfall of about $600 million annually, while smaller airports foresee a shortfall of $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 may 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 Historical Airport Funding to Future Development Costs



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