GAO Highlights

Highlights of GAO-14-658T, a testimony before the Subcommittee on Aviation, Committee on Transportation & Infrastructure, House of Representatives

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AIRPORT FUNDING

Aviation Industry Changes Affect Airport Development Costs and Financing

Why GAO Did This Study

U.S. airports are important contributors to the U.S. economy, providing mobility for people and goods both domestically and internationally and often contributing to the economic success of the communities served. Since 2007 when GAO last reported on airport funding and its sufficiency to meet planned development of airport infrastructure, there have been significant changes in the aviation industry. During this time, federal support for airport development has declined. As deliberations begin in advance of FAA's reauthorization in 2015, Congress will consider the most appropriate type, level, and distribution of federal support for development of the national airport system.

This testimony discusses trends in (1) aviation activity at airports since 2007, (2) costs of airports' planned development, and (3) federal funding and airport revenues that may be available to finance development costs. This testimony is based on previous GAO reports on aviation from June 2007 through June 2014, updated through June 2014 with interviews with key FAA and trade association officials and FAA airport funding data from 2005-2013. GAO shared the information it used to prepare this statement with FAA and incorporated its comments as appropriate.

View GAO-14-658T. For more information, contact Gerald L. Dillingham, Ph.D. at (202) 512-2834 or dillinghamg@gao.gov.

What GAO Found

Since 2007, economic pressures—including high fuel prices, the financial crisis, and the ensuing recession of 2007–2009—contributed to airline restructuring which has resulted in reductions in the number of commercial flights at airports, especially at medium- and smaller-sized airports. General aviation activity, which includes all forms of aviation except commercial and military, has also declined over the last decade. Because many sources of airport funding, including federal support and locally generated revenue, are tied to aviation activity, for many airports these trends mean less funding available for infrastructure development.

According to Federal Aviation Administration's (FAA) estimates, airports' total costs of planned infrastructure development eligible for federal support from FAA's Airport Improvement Program (AIP) grants are about $42.5 billion for the 2013 through 2017 period, or about $8.5 billion per year on average which was down 18 percent from $52.2 billion for the 2011 through 2015 period. FAA attributed the decline to airports' choosing to defer projects due to reductions in aviation activity or having identified other funding sources, among other factors. Airports in the national airport system receive AIP entitlement grants for eligible projects, generally those that enhance capacity, safety, or environmental conditions. The U.S. airport association, Airports Council International—North America, estimated costs of other planned development not eligible for federal support, such as parking structures, totaled $4.6 billion per year for the 2013 through 2017 period. Therefore, the total costs of planned development for the most current period are estimated to be approximately $13.1 billion per year.

To fund infrastructure development, some airports, especially smaller sized airports, rely on AIP funds which have averaged a little over $3 billion in annual grants and have decreased in recent years. In addition, federally authorized Passenger Facility Charges (PFC) collections by airports totaled about $2.8 billion in 2013, more than $100 million less than the peak in 2006, prior to the recession. PFCs have been capped at $4.50 per flight segment since 2000. To finance more than $7 billion in airports' planned development costs not covered by AIP and PFCs, airports seek to generate more revenues. Growth in passenger related non-aviation revenue, for example from parking and concessions, has grown over 4 percent on average each year since 2004. Airports are also exploring more innovative options to boost revenue, including commercial retail and leisure enterprises, hotels and business centers, medical facilities, and specialized cargo handling and refrigerated storage facilities, among other developments. Airports have also sought private sector participation to finance airport development projects. For example to demolish old terminals and to construct, partially finance, operate, and maintain a new terminal at LaGuardia Airport in New York, the private sector will provide financing in return for a share of the airport's revenues. However, many smaller airports may find it difficult to access private capital markets.