AIRPORT FUNDING

Changes in Aviation Activity Are Reflected in Reduced Capacity Concerns

What GAO Found

Economic factors, since 2007, have led to fewer scheduled commercial flights, a trend more pronounced for some types of airports. These economic factors include not just the volatile fuel prices and the 2007 to 2009 recession but also evolving airline practices, such as airline mergers and the adoption of business models that demonstrate capacity management. For example, as GAO reported in June 2014, the number of scheduled flights at medium- and small-hub airports has declined at least 20 percent from 2007 to 2013, compared to about a 9 percent decline at large-hub airports. General Aviation (GA) has also declined in activity, as measured by the number of GA aircraft operations and hours flown, due to similar economic factors. In recent years, however, passenger growth has rebounded. According to the Federal Aviation Administration’s (FAA) projections, U.S. airline passenger growth is predicted to grow 2 percent per year through 2035—a growth rate that is slightly lower than that of past forecasts.

According to FAA estimates, the number of airports that require additional capacity to handle flight operations to avoid delays has declined since 2004. Similarly, the future cost of planned airport development has also declined in recent years. Earlier this year, FAA projected that 6 airports will be capacity constrained in 2020 compared to 41 in the 2004 projection. Even with this improvement, some airports—like those in the New York City area region—will remain capacity constrained, according to FAA. The overall improved capacity situation is also reflected in reduced estimates of future airport-development costs that are eligible for federal grants. In September 2014, the FAA estimated that for the period 2015 through 2019, airports have about $33.5 billion in planned development projects eligible for federal Airport Improvement Program (AIP) grants—a 21 percent reduction from the $42.5 billion estimate for the time period 2013 through 2017. The biggest decline in planned development costs among project categories is in capacity projects such as new runway projects.

However, an airport industry association estimated planned airport capital project costs, both those eligible and not eligible for AIP, of $72.5 billion for 2015 through 2019, an increase of 6.2 percent from the association’s prior 5-year estimate for 2013 through 2017.

As traditional funding sources for airport development have generally declined, airports have increasingly relied on other sources of financing. Specifically, federal AIP grants and Passenger Facility Charges (PFC) are two primary sources of federally authorized funding for airports. The amount made available for AIP decreased from over $3.5 billion for fiscal years 2007 through 2011 to less than $3.4 billion for fiscal year 2015. Further the President’s 2016 proposed budget calls for additional reductions in AIP, though it would be offset with a proposed increase in the PFC cap, which is currently $4.50 per flight segment. Airports have sought additional opportunities to collect non-aviation revenues. As a result, according to FAA, non-aviation revenue has increased each year from 2008 through 2014. For example, airports have 1) partnered with the private sector to fund airport improvements; 2) identified new business ventures on airport property including the development of commercial retail, leisure activities, and medical facilities; and 3) explored options for privatization.