GAO Highlights

Highlights of GAO-20-298, a report to congressional requesters

February 2020

AIRPORT INFRASTRUCTURE

Information on Funding and Financing for Planned Projects

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. About 3,300 airports in the United States are part of the national airport system and eligible to receive federal AIP grants to fund infrastructure projects. To help fund these projects, certain categories of airports are also authorized by federal law to collect PFCs, which passengers pay when buying tickets.

GAO was asked to examine airport-funding sources and planned infrastructure projects. This report examines, among other issues: (1) levels of federal and other funding that U.S. airports received from fiscal years 2013 through 2017 for infrastructure projects, (2) projected costs of planned infrastructure investments at U.S. airports from fiscal years 2019 through 2023, and (3) any challenges selected airports identified in obtaining projects' funding and financing.

GAO analyzed airport-funding data for AIP grants, PFCs, airport-generated revenue, and other sources for fiscal years 2013–2017—the most recent years for which data were available—and FAA's and Airports Council – North America's cost estimates of airports' planned infrastructure projects for fiscal years 2019–2023. GAO also interviewed FAA officials; representatives from airline and airport associations, and bond-rating agencies; officials from 19 selected airports representing airports of different sizes and with the highest planned development costs, among other things; and representatives from eight selected airlines, selected based on factors such as passenger traffic.

View GAO-20-298. For more information, contact Heather Krause at (202) 512-2834 or krauseh@gao.gov.

What GAO Found

From fiscal years 2013 through 2017, U.S. airports received an average of over $14 billion annually for infrastructure projects. The three largest funding sources are below:

- Funding from federal Airport Improvement Program (AIP) grants has remained relatively constant, at an annual average of $3.2 billion. Smaller airports (small hub, non-hub, and general aviation) collectively received more AIP funding compared to larger airports (large and medium hub).
- Revenue from federally authorized passenger-facility charges (PFC), a per-passenger fee charged at the ticket's point of purchase, increased by 9 percent, with an annual average of $3.1 billion. Increases in passengers and PFC revenue at larger airports contributed to this increase.
- Airport-generated revenue (e.g., concessions and airline landing fees) increased by 18 percent, with an annual average of $7.7 billion. While both larger and smaller airports experienced increases in these revenues, the larger airports made up 92 percent ($7.1 billion) of these revenues.

In addition to these sources, some airports obtained financing by issuing bonds, secured by airport revenue or PFCs. According to Federal Aviation Administration (FAA) data, larger airports were able to generate more bond proceeds than smaller airports in part because larger airports are more likely to have a greater, more certain revenue stream to repay debt.

Airports' planned infrastructure costs for fiscal years 2019 through 2023 are estimated to average $22 billion annually (in 2017 dollars)—a 19 percent increase over prior estimates for fiscal years 2017 through 2021. These costs are expected to increase in part because airports are planning to invest in more terminal projects. For example, cost estimates for AIP-eligible terminal projects increased about 51 percent when compared to FAA's prior 5-year estimate. FAA and airport association representatives stated that terminal projects can be more expensive than other projects because of the scale of the improvements, which can include renovating terminals to repair aging facilities and accommodate larger aircraft and growth in passengers.

Officials from GAO's 19 selected airports cited several challenges to funding infrastructure projects. For example, officials stated that the funding and revenue they receive from combined sources may not be sufficient to cover the costs of planned infrastructure projects. The officials also raised concerns about being able to finance future airport-infrastructure projects because they have already obligated their current and future PFCs to service debt on completed and ongoing infrastructure projects. According to FAA data, in fiscal years 2013 through 2017, airports paid a total of $12 billion—or 78 percent of total PFC revenues collected—for debt service. Bond-rating agencies, however, continue to give airports high or stable ratings, and rating agencies' representatives stated that airports' access to capital markets continues to remain favorable. Some airport officials stated that to address funding challenges, they have deferred some needed infrastructure investments or completed projects in phases, steps that increased construction times and costs.