



Resources, Community, and  
Economic Development Division

B-279747

April 29, 1998

The Honorable Roy Blunt  
House of Representatives

Subject: Airport Financing: Projects Eligible for Federal Support That May Go Unfunded

Dear Mr. Blunt:

The Airport Improvement Program (AIP) provides federal funding for airport capital development<sup>1</sup> at the 3,304 airports that make up the national airport system.<sup>2</sup> At the March 19, 1998, hearing before the Subcommittee on Aviation, House Committee on Transportation and Infrastructure, about reauthorizing AIP, you asked us if we could identify the amount of planned development that is eligible for AIP funding but that may go unfunded. As discussed below, while we cannot determine precisely how much AIP-eligible planned development may go unfunded, we estimate that the unfunded amount probably lies somewhere between \$945 million and \$3 billion a year during the 5-year period from 1997 through 2001.

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<sup>1</sup>AIP funds are authorized for use on capital development projects for (1) safety and security, (2) noise mitigation, (3) reconstruction, (4) bringing airports up to the Federal Aviation Administration's design standards, (5) upgrading existing infrastructure so that airports can serve new kinds of aircraft, (6) new capacity, and (7) planning.

<sup>2</sup>The national airport system consists of 3,304 airports that fall into six categories based primarily on the number of passengers enplaned—29 large hub airports, 42 medium hub airports, 70 small hub airports, 272 nonhub airports, 127 other commercial service airports, and 2,764 general aviation airports.

We cannot provide a precise estimate of the AIP-eligible projects that may go unfunded each year. As we noted in our testimony and accompanying report,<sup>3</sup> the planned development for the 5-year period from 1997 through 2001 was estimated to cost an average of \$10 billion annually, which exceeds the total funding of about \$7 billion that was available in 1996.<sup>4</sup> However, data that would readily identify the dollar value of AIP-eligible or -ineligible projects that may go unfunded each year during the 5-year planning period are not available. The data for such an analysis—specifically, an inventory of unfunded airport projects each year—are not collected or maintained by the Federal Aviation Administration (FAA) or any other organization.

While AIP funds, passenger facility charges, and a portion of state grants are used to finance AIP-eligible projects,<sup>5</sup> the majority of airport revenues comes from the issuance of tax-exempt bonds. The extent to which proceeds from bond financing are used to pay for AIP-eligible and -ineligible development is unknown because no restrictions exist on the use of these funds, and the available data on issued bonds do not identify whether AIP-eligible or -ineligible projects are funded through the bonds.

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<sup>3</sup>Airport Financing: Comparing Funding Sources With Planned Development (GAO/T-RCED-98-129, Mar. 19, 1998) and Airport Financing: Funding Sources for Airport Development (GAO/RCED-98-71, Mar. 12, 1998).

<sup>4</sup>In 1996, the annual funding available totaled about \$7 billion from the five major sources of funds—AIP, passenger facility charges collected from passengers boarding at airports, state grants, bonds, and airport revenues. Planned development for the 5-year period from 1997 through 2001 averaged about \$10 billion a year. Planned development includes projects eligible for federally authorized AIP funds and passenger facility charges, as well as projects that do not qualify for federal funding. We used funding data for 1996 because that was the most recent information available at the time of our review for all of the five major funding sources. See GAO/RCED-98-71.

<sup>5</sup>In addition to AIP funds, funds collected from passenger facility charges must be used for AIP-eligible projects (with limited exceptions) and are directed primarily at projects to preserve and enhance safety and security as well as airport capacity, to reduce noise, and to enhance opportunities for airline competition. Funds collected through passenger facility charges may also be used to pay debt service on bonds and other indebtedness incurred to carry out projects; while AIP funds cannot generally be used to make interest payments, an innovative pilot program allows the use of AIP funds for these costs.

Currently, FAA maintains an inventory of projects eligible for AIP as part of its national planning process. FAA can identify which of these eligible projects will receive AIP grants. However, FAA does not maintain information on whether eligible projects that do not receive AIP funding are funded from other sources, deferred, or canceled.

In the absence of databases with information on whether AIP-eligible or -ineligible projects are being funded with nonfederal funding sources or which projects go unfunded at airports in the national system, we would have to conduct a survey of those airports to determine the amount of planned development eligible for AIP funding that may go unfunded. Such an effort would have only limited use because available funding from the various sources, as well as planned development, changes over time.

According to the data in our prior testimony and accompanying report, however, it is likely that at least \$945 million, and possibly as much as \$3.012 billion, of AIP-eligible projects may go unfunded each year during the 5-year period from 1997 through 2001. At a minimum, if all of the funds available to the smaller airports in the national system<sup>6</sup> were spent on AIP-eligible projects only, there would still remain about \$945 million a year in AIP-eligible projects at those airports that would need to be funded.<sup>7</sup> However, because it is unlikely that all available funding at those airports would be spent on eligible projects, the dollar value of unfunded AIP-eligible projects is likely to be higher. Also, as much as \$3.012 billion in AIP-eligible projects may go unfunded throughout the national airport system if projects ineligible for AIP funds were fully funded before applying available money to AIP-eligible projects.<sup>8</sup>

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<sup>6</sup>The smaller airports are the 3,233 small hub, nonhub, other commercial service, and general aviation airports.

<sup>7</sup>This shortfall is the difference between AIP-eligible planned development, which averages \$2.492 billion each year at the smaller airports, and the \$1.547 billion in total available funding for those airports in 1996.

<sup>8</sup>This estimate is derived from the following calculation: According to the data in our prior report, there is a yearly average of \$6.11 billion in AIP-eligible projects and about \$3.93 billion in AIP-ineligible projects for the 5-year period from 1997 through 2001. In 1996, however, there was only \$7.028 billion in available funding. If the AIP-ineligible projects were fully funded, there would remain only \$3.098 billion of available funds to pay for AIP-eligible projects (\$7.028 billion minus \$3.93 billion). Using that remaining \$3.098 billion of available funding to pay for AIP-eligible projects, estimated at \$6.11 billion,

However, because all of the ineligible projects at airports are unlikely to be funded in any given year, the dollar value of unfunded AIP-eligible projects is likely to be lower. Given the AIP funding available in 1996, it is unlikely that any of the planned safety and security projects would remain unfunded. Also, according to FAA officials, unfunded development may be deferred for a variety of reasons other than a lack of funding, such as projects' low priority, environmental issues, social and political obstacles, and a lack of support from airport users.

#### AGENCY COMMENTS

We provided the Department of Transportation and FAA with a copy of our draft report for review and comment. FAA officials, including the Deputy Director of the Office of Airport Planning and Programming, provided some clarifying comments and information, which we included in the draft as appropriate. FAA officials also commented that while it is interesting to compare planned development to actual investments, they believe that the adequacy of airport investment is best understood by reviewing the condition and performance of the airport system. They noted that FAA has been monitoring the system's performance for 10 years and that key indicators reveal that, in the aggregate, the national system of airports performs in a safe and efficient manner, suggesting a healthy level of investment in airport infrastructure.

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We performed this analysis using data already obtained and reported in Airport Financing: Funding Sources for Airport Development (GAO/RCED-98-71, Mar. 12, 1998). In addition, we discussed the information available in FAA's databases with FAA officials, including the Manager, Airports Financial Assistance Division, Office of Airport Planning and Programming. We performed this work in March and April 1998 in accordance with generally accepted government auditing standards.

We are sending copies of this report to interested congressional committees; the Secretary of Transportation; the Administrator, Federal Aviation Administration; and the Director, Office of Management and Budget. Copies will also be made available to other interested parties on request. Major


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(\$6.11 billion minus \$3.098 billion) would leave \$3.012 billion in AIP-eligible projects that still needed funding.

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contributors to this report were Paul Aussendorf, Beverly Bendekgey, and Randy Williamson. Please call me at (202) 512-3650 if you have any questions.

Sincerely yours,

  
Gerald L. Dillingham  
Associate Director,  
Transportation Issues

(348090)



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