



United States
General Accounting Office
Washington, D.C. 20548



Resources, Community, and
Economic Development Division

B-276936

June 19, 1997

The Honorable John McCain
Chairman, Committee on Commerce,
Science, and Transportation
United States Senate

Subject: Airport Financing: Compliance With Federal Grant Requirements

Dear Mr. Chairman:

As you requested in your letter of March 7, 1997, we reviewed FAA's compliance with funding requirements for federal grants for airport-related development to determine if established regulations and procedures were satisfied. To do this, we used a case study that analyzed federal funding for the construction of the new Northwest Arkansas Regional Airport and its highway connector road. This airport, being built about 27 miles northwest of Fayetteville, Arkansas, is scheduled to open in late 1998. The Federal Aviation Administration (FAA) plans to provide—from the Airport and Airway Trust Fund—about \$69 million of the \$107 million needed to build the new airport. In February 1997, FAA issued a letter of intent for the new airport for \$29.5 million of the federal share.¹ The airport authority plans to issue bonds—secured by the letter of intent—to fund several airfield projects, including pavement and lighting. Most of the remaining construction costs would be financed by revenue bonds issued by the Northwest Arkansas Regional Airport Authority, the entity responsible for developing the new airport.

A new airport for the northwest Arkansas area has been under consideration since the 1950s. The expansion potential of the current commercial service airport—Drake Field—is limited, and a new airport was seen by some as a way to

¹FAA can provide Airport Improvement Program funds under either a grant or a letter of intent; the latter documents FAA's intent to obligate the funds in future years as reimbursement for grant-eligible expenditures, subject to congressional authorization and appropriations. In issuing a letter of intent, FAA believed it would be saving about \$24 million in construction costs (see enc. II).

568901 / 158873

improve air service to that area. In 1991, FAA provided funds to study the feasibility of a new airport and gave its final approval to begin federal funding for the new airport in 1994.² The new airport will have an 8,800-foot runway with a full instrument landing system for both runway ends, a 78,000-square foot terminal, and a sponsor-funded and -operated air traffic control tower.

As agreed with your office, this case study focuses on four issues: (1) Did FAA follow its process for awarding grants to the new airport? (2) Did FAA follow its criteria in issuing a letter of intent for the new airport? (3) Was the federal share of funding for the new airport's highway connector consistent with the federal share for other airport connector projects? (4) What are the key factors that will affect the viability of the new airport? We provided an in-depth briefing to your staff on these issues on May 21, 1997 (see enc. D).

In summary, we found the following:

- Grant Award Process: FAA followed its grant award process, which allows for a subjective assessment of needs. FAA allocates certain Airport Improvement Program (AIP) funds by ranking eligible projects through a national priority system. While projects receiving funding typically fall within a specified priority range, projects outside the priority range may still receive funding based on FAA's subjective assessment of needs. In this case, the project received a ranking outside the priority range for funding. FAA's approval of federal funding for the Northwest Arkansas Regional Airport was based, in part, on its subjective assessment that the new airport would replace Drake Field as the region's commercial service airport. However, it is uncertain whether that will occur. FAA made this assumption knowing that the city of Fayetteville passed two resolutions—in 1992 and 1994—stating its intent to keep Drake Field open as a commercial service airport and to let airlines choose which airport to use. The city of Fayetteville, which operates Drake Field, is actively seeking to retain commercial service there after the new airport opens, and airlines currently serving Drake Field have made no firm commitments to use the new airport. Thus, FAA may now have to use AIP funds to support two commercial service airports—in a relatively limited market—within 30 miles of each other.
- Letter of Intent Criteria: FAA did not take sufficient steps to ensure that the project met two of five key criteria before issuing a letter of intent for the

²Enc. II provides a detailed chronology of key events in the development and construction of the new airport.

new airport. To qualify for a letter of intent, federal statutes and policies require that a project meet these key criteria: the project must (1) be at a primary or reliever airport, (2) be for airside development,³ (3) have financial commitment from the sponsor, (4) significantly enhance systemwide capacity, and (5) have a benefit/cost ratio that exceeds 1. Our review showed that FAA considered all of these criteria before issuing the letter of intent for the new airport. However, FAA's judgment on systemwide capacity was not based on a clear determination that the project significantly enhanced systemwide capacity, and its benefit/cost analysis was based on information that was, in some cases, unverified or outdated.

FAA has not defined what would constitute a significant enhancement to systemwide capacity for projects at small airports. Instead, FAA officials determined that a new airport would add needed and reliable capacity by eliminating such existing operating constraints at Drake Field as weather-related flight delays and limited potential for runway expansion. Absent a definition of what constitutes a significant capacity increase for small airports, it is not clear that the additional capacity that the new airport would provide meets that requirement for a letter of intent.

In conducting the benefit/cost analysis used to support the issuance of the letter of intent, FAA included questionable data and assumptions and did not update the analysis to reflect changes that had occurred. First, FAA used unverified weather data to calculate delays at Drake Field. Weather data that FAA used had been gathered from two air traffic controllers at Drake Field, who, according to FAA, provided estimates based solely on their judgment, and not from official sources of weather-related data. FAA officials said they did not verify the data because they did not have time. FAA also factored in thundershower delays for Drake Field and assumed that these delays would not occur at the new airport. In making this analysis, FAA had no reliable data on the frequency of thundershowers at the site of the new airport and at Drake Field or any rationale explaining why thundershower delays would be a safety issue at Drake Field but not at the new airport—located less than 30 miles away. Second, before issuing a letter of intent in early 1997, FAA did not update the benefit/cost analysis to reflect conditions that had changed since the original analysis was prepared in 1994. For example, between the time when the analysis was conducted in 1994 but before the

³Airside refers to airfield development projects, such as runways, taxiways, and navigation aids. In contrast, landside projects include the passenger terminal and parking facilities.

the letter of intent was issued in 1997, Drake Field acquired an instrument landing system that improves access and stated its intent to actively compete for commercial traffic. These factors raise questions about a key assumption in the original analysis that all commercial service air traffic would move to the new airport.

- Federal Share for the Highway Connector: The federal funding share of 95 percent for the new airport's highway connector was established by statute. A comparison with the federal share for other airport connectors could not be made because the Federal Highway Administration (FHWA), which administers funds from the Highway Trust Fund used for these projects, does not maintain the kind of information needed to make a comparison.

Section 310(d) of the National Highway System Designation Act of 1995 requires that the federal government pay 95 percent of the cost of the highway connector to the new airport from U.S. Route 71 in Arkansas. Current federal law establishes the level of federal funding for various types of projects—generally 90 percent for projects on the interstate system and 80 percent for other projects. Federal funding in excess of these amounts may be provided where other statutory criteria are met. For example, states with significant amounts of Native American or federal lands may receive up to 95 percent for projects, including airport connectors. In addition, certain highway projects in rural areas, including airport connectors, can be funded at 95 percent.⁴ FHWA identified 15 airport connectors that were funded as demonstration projects at an 80 percent federal share.⁵ Other than the demonstration projects, FHWA could not identify specific airport connector projects in the United States and their corresponding federal shares because of limitations in its database.

Aside from the issue of the federal funding share, it appears that better access roads to the new airport are needed, but it may be at least 5 years before the new airport connector is completed. In the meantime, current

⁴Under the Economic Growth Center Development Highways Program, a highway, including an airport connector, is eligible for 95 percent federal funding if it is in a rural area designated as an Economic Growth Center.

⁵Section 1108(b) of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) authorized 51 specific priority intermodal projects and specified the amount of federal funds available for each. Fifteen of these projects were airport connectors.

access roads to the new airport are substandard and potentially could pose safety hazards. For example, according to officials from the Arkansas Highway and Transportation Department, the traffic levels now exceed the roads' design capacity, the accident rates already exceed those on comparable roads in the state, sharp curves exist, and the roads have narrower than acceptable shoulders.

- Viability of the New Airport: Ultimately, the viability of the new airport depends largely on four factors: (1) the volume of passenger traffic at the new facility, (2) the airport authority's access to and the costs of capital for the remaining construction, (3) the ability of project managers to control the remaining construction costs within established budgets, and (4) the accuracy of projected nonairline revenues. However, a degree of uncertainty exists with each of these components. In our view, the most problematic of the factors affecting the airport's viability is the degree to which the volume of passengers meets the projections. The airport authority's financial plan for the new airport assumes that all of the air traffic now serving Drake Field, plus additional traffic currently diverted to other airports, will transfer to the new airport by early 2000. However, because none of the air carriers currently serving Drake Field has committed to use the new airport, the degree to which these projections can be achieved within specified time frames remains unknown.

Completing airport construction will depend on issuing a \$29.5 million bond backed by the letter of intent for airfield construction and a \$48 million airport revenue bond to finish the terminal and parking areas. The bond backed by the letter of intent is unusual; it would be the first airport bond secured only by a letter of intent. Heretofore, the only other bond secured by a letter of intent was issued in 1993 for Reno Airport, but that bond had a secondary lien against the airport's revenue in order to obtain an investment-grade rating. The new airport authority does not plan any such secondary lien, but airport officials are confident that the underwriter for this bond will be able to privately place the bonds.

As of April 1997, managers of the new airport have kept construction costs within budget, although contract awards for major projects, such as the terminal, have not been made. Projections of nonairline revenue for the new airport are above average for similar-sized airports but reasonable as long as traffic projections are met.

OBSERVATIONS

The results of one case study are not sufficient evidence to evaluate the adequacy of FAA's processes and criteria for awarding grants and issuing letters of intent. However, in this period of budget constraint, when funds for the AIP have been declining, FAA must ensure that projects are sound and that the allocation of the program's scarce funds represents the best use of its limited dollars. By developing and using rigorous, disciplined approaches and analyses as a basis for making decisions on airport investments, FAA can optimize the use of scarce federal funds for future airport development.

Several concerns about FAA's processes surfaced during our review of this project. First, in performing key analyses to justify the initial grants and the letter of intent for the new airport, FAA did not consistently use reliable, complete, and verifiable data. This was evident from FAA's use of unverified weather data in its benefit/cost analysis and its reliance, for the letter of intent, on a benefit/cost analysis that was not updated to reflect changes, such as the improved access to Drake Field. FAA's use of more credible information could have produced a more reliable benefit/cost analysis. Second, FAA has no quantifiable means to demonstrate compliance with certain of its funding criteria, such as showing that a project will significantly enhance systemwide airport capacity. A clear definition of what constitutes a significant enhancement of system capacity for projects at small airports could have provided a more credible demonstration that key criteria were met as a basis for committing federal funds to this project. Having such a definition would not have to preclude FAA's use of qualitative analyses or discretionary judgment but could provide a common reference point for assessing the potential impact of competing projects. Finally, in some cases, FAA did not document the rationale for making assumptions or decisions, especially where subjective judgment was a major component of its decisions. For example, FAA did not provide a documented rationale for assuming that all air traffic would transfer to the new airport from Drake Field.

SCOPE AND METHODOLOGY

To address our review's objectives, we had discussions with and collected documents from officials at a variety of organizations, including FAA headquarters, FAA's Southwest Region, FAA district offices, FHWA headquarters and Arkansas offices, the Arkansas State Highway and Transportation Department, the Northwest Arkansas Regional Airport Authority, Drake Field, the Northwest Arkansas Council, the Northwest Arkansas Regional Planning Commission, five airlines currently serving Drake Field, DHL

Worldwide Express, Federal Express, such local corporations as Walmart and Tyson, Drake Field's air traffic control tower, and bond rating agencies and underwriting firms (including the Llama Company, the underwriter for the new airport). We also talked with the mayor and a councilman from Fayetteville, airport consultants for the new airport and for Drake Field, and private citizens from the northwest Arkansas area who had information or voiced strong opinions about the new airport. We examined numerous documents pertaining to the new airport, including the feasibility study; the environmental impact study; the record of decision; the financial plans; and FAA's benefit/cost analysis, project schedule, and complete project/grant files. We also examined pertinent statutes and regulations on the criteria to award AIP grants and letters of intent and to determine the federal share for airport-related highway projects.

AGENCY COMMENTS AND OUR EVALUATION

We provided the Department of Transportation's FHWA and FAA with a copy of our draft report for review and comment. We met with representatives of FHWA, including the Group Leader for Federal-Aid Programs, and FAA, including the Director for Airport Planning and Programming. FHWA provided clarifying and technical comments, which we incorporated as appropriate. FAA representatives said they were pleased the draft report recognized that FAA had followed established procedures in awarding AIP grants to the Northwest Arkansas Regional Airport. FAA officials stated that providing a letter of intent for this project was consistent with the congressional intent for capacity enhancement as expressed in Senate Appropriations Committee Report 103-310. They emphasized that funds made available pursuant to the letter of intent will complete FAA's financial participation in the new airport, which had been initiated with AIP grants. They explained that the letter of intent will allow a reduction in construction time from 3 years to slightly more than 1 year, thereby saving an estimated \$24 million in project costs relative to continued funding through annual AIP grants.

FAA officials indicated that Drake Field, which currently serves the region, is safe but has physical limitations, due in large measure to the surrounding mountains. Moreover, FAA officials noted that Drake Field does not meet FAA's current design standards, such as those for taxiways. They also noted that estimates to make Drake Field conform with design standards to accommodate its current commuter fleet mix would approach \$40 million, with as much as \$35 million eligible for AIP grants. FAA officials maintained that the cost to bring Drake Field up to FAA's design standards would equal or exceed the amount of federal funds to be provided through the letter of intent

that completes FAA's investment in the new airport. Finally, FAA officials clarified that Drake Field has not acquired a full instrument landing system, as indicated in the draft report. Rather, they indicated that Drake Field's new landing system will provide significantly less approach capability than a full instrument landing system.

FAA officials told us that the completion of the new airport will provide the northwest Arkansas area with an airport that conforms to all of FAA's design standards for all commercial aircraft likely to serve the region today and in the future. FAA officials indicated that the new airport will provide a longer runway, with standard precision approaches on both runway ends, and will have a much greater physical area to accommodate aviation-related activities and enterprises. As a result, FAA officials indicated that air carriers will be able to serve the region with a broader mix of aircraft and in a wider range of weather conditions, permitting faster and more reliable air service. They also noted that businesses in the region have announced a collective commitment to use competitive air service from the new airport. FAA officials indicated that the economic advantages associated with providing service from the new airport would cause air carriers to use the new airport once it becomes operational. Finally, they maintained that the new airport's location will minimize the adverse effects of noise associated with large jet aircraft serving the region and will readily permit expansion when the need arises.

In our view, the points raised by FAA officials do not relieve FAA of its responsibility to ensure compliance with the criteria for letters of intent nor to ensure that decisions, especially when subjective judgment is a major component, are based on reliable, complete, and verifiable data. First, although the Senate Appropriations Committee Report supported "expeditious consideration" of a letter of intent for the new airport and expressed the Committee's view that the airport would enhance systemwide capacity, FAA was not relieved of the statutory, regulatory, and policy requirements that must be met in order to issue a letter of intent. For example, FAA is still bound under section 47110(e)(2)(C) of title 49 of the U.S. Code to demonstrate that the project would enhance systemwide capacity significantly. FAA officials concur that they have not defined what would constitute a significant enhancement of systemwide capacity for projects at smaller airports. Without that determination, it is not clear that this criterion for a letter of intent has been met.

Second, while FAA believed it was saving money by issuing a multiyear letter of intent instead of financing the remaining projects through three annual grants, the same could be said for most multiyear projects. There are currently about

26 other projects under consideration for letters of intent. We also do not dispute FAA's assertion that the new airport will have capabilities superior to those at Drake Field. However, letters of intent are supposed to be issued for projects that significantly enhance systemwide capacity and have a benefit/cost ratio that exceeds 1. At a time when AIP funds are diminishing, it is important to ensure that, among competing projects, scarce funds are awarded to those that meet program requirements.

Third, Drake Field, like many airports throughout the country, is operating under FAA's waivers, and because of the nearby terrain its instrument landing system will not provide the same instrument landing capabilities as a typical system. However, these situations highlight our position that the benefit/cost analysis for the letter of intent should have been updated to include verifiable information and to reflect changes that occurred since the original analysis was completed. For example, the cost estimate of \$38 million that was used in the benefit/cost analysis to measure the cost of bringing Drake Field up to FAA's design standards was developed by consultants, hired by the Northwest Arkansas Regional Airport Authority, without consultation with officials at Drake Field. Drake Field managers dispute this cost estimate. Also, while Drake Field's new instrument landing system cannot provide the same landing capabilities as a typical instrument landing system because of the nearby terrain, it does provide pilots with improved access to Drake Field. This change—along with such others as federal grants already expended on the new airport, Drake Field's efforts to compete for regional commercial traffic, and the use of verifiable weather data—would have affected the final outcome of an updated benefit/cost analysis.

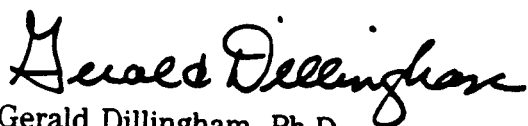
Fourth, although FAA indicated it believes that advantages associated with providing service from the new airport would cause air carriers to move to the new airport, those advantages would not guarantee that they will move. Nevertheless, the assumption that all commercial airlines would move to the new airport was a key assumption in FAA's approval of grants and in the benefit/cost analysis. However, it is uncertain that all commercial airlines serving Drake Field will move to the new airport. That assumption was made in spite of the knowledge that the city of Fayetteville intended to keep Drake Field open. Furthermore, from our discussions with the five airlines that serve Drake Field, we learned that only one airline is clearly interested in moving to the new airport and that among the things all the airlines will consider when deciding whether to move is the cost differential between using the two airports.

B-276936

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 7 days from the date of this letter. At that time, we will send copies to interested congressional committees; the Secretary of Transportation; the Administrator, Federal Highway Administration; 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.

We performed our work from March 1997 to May 1997 in accordance with generally accepted government auditing standards. Major contributors to this report were Paul Aussendorf, Beverly Bendekgey, Sarah Brandt, Helen Desaulniers, Dana Greenberg, David Hooper, and Randy Williamson. Please call me at (202) 512-3650 if you have any questions.

Sincerely yours,



Gerald Dillingham, Ph.D.
Associate Director, Transportation Issues

Enclosures - 2

GAO Transportation Issues

**AIRPORT FINANCING: Compliance
With Federal Grant Requirements**

**Case Study on Northwest Arkansas
Regional Airport**

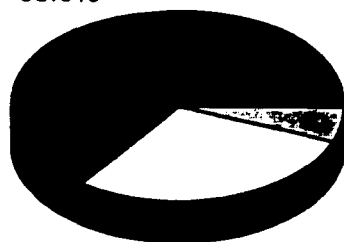
GAO Background
New Airport

- Airport has an 8,800-foot runway with full instrument landing system for both runway ends.
 - Control tower is sponsor-funded and -operated.
 - Terminal has 78,000 square feet.
 - Runway's aggregate base has been laid; pavement will be poured in June 1997.
 - Airport to open in the fall of 1998.
-

GAO Background
Total Estimated Cost

- As of January 1997, the new airport's cost was estimated to be \$107.4 million.
- AIP will pay almost two-thirds of this cost, with \$32.7 million already paid.

Federal 65.0%



State 6.0%

Sponsor 29.0%

GAO Background
 Actual and Proposed AIP Costs

Fiscal year	AIP funds	Purpose
1991	\$ 601,538	Master plan study
1992	0	
1993	656,904	Environmental impact statement
1994	9,019,075	Land acquisition and relocation
1995	12,371,000	Site preparation
1996	10,000,000	Site preparation
1997	7,000,000	Landside infrastructure and equipment
1998	3,500,000	Runway, taxiway, and apron construction
1999	5,000,000	Runway, taxiway, and apron construction
2000	7,000,000	Runway, taxiway, and apron construction
2001	7,000,000	Runway, taxiway, and apron construction
2002	7,000,000	Runway, taxiway, and apron construction
Total	\$69,148,517	

GAO Review Questions

- Did FAA follow its process for awarding AIP grants to the new airport?
 - Did FAA follow its criteria for issuing the letter of intent (LOI) for the new airport?
 - Was the federal share for the new airport's highway connector consistent with other airport connector projects?
 - What are the key factors that will affect the new airport's viability?
-

GAO Results in Brief
Grant Award Process

- FAA followed its grant award process, which allows subjective assessment of needs.
 - FAA approved a grant based, in part, on its subjective assessment that the new airport would replace Drake Field as the region's commercial service airport, but
 - airlines serving Drake Field have made no firm commitment to use the new airport and
 - Drake Field is actively seeking to retain commercial service.
-

GAO Results in Brief
LOI Criteria

- FAA considered five key LOI criteria but did not demonstrate that two were met.
 - FAA has not defined what constitutes a significant capacity enhancement for projects at small airports.
 - GAO's concerns on benefit/cost analysis are
 - questionable assumptions and data were used and
 - information and conditions were not updated for the LOI.
-

GAO Results in Brief
Highway Connector Funding

- The federal share of funding for the new airport's connector was set at 95 percent by the National Highway System Designation Act of 1995.
 - Other statutory provisions allow states to obtain the 95 percent federal share for highway funding based on many factors.
 - A comparison with the federal share of funding for other airport connectors could not be made because FHWA does not maintain such information.
-

GAO Results in Brief
New Airport's Viability

- The viability of the new airport depends on
 - how much scheduled air traffic transfers from Drake Field,
 - obtaining capital and minimizing financing costs,
 - controlling remaining construction costs, and
 - the accuracy of projected nonairline revenues.
 - Some uncertainty exists with all of these factors.
-

**GAO AIP Grant Awards
FAA's Project Selection Process**

- **FAA allocates AIP discretionary funds by applying a national priority system:**
 - **projects receiving funding typically fall within a specified priority range and**
 - **projects outside the priority range may still receive funding based on FAA's judgment.**
 - **The new airport received a ranking outside the priority range for funding.**
-

**GAO AIP Grant Awards
FAA's Project Selection Process**

- FAA chose to fund the project because of
 - population growth between 1980-90 at 18.1 percent--nearly twice the national average,
 - constraints at Drake Field (e.g., operating under FAA's waivers, weather, no precision landing approach, and constrained runway expansion), and
 - local community and airline support.
 - Once approved, future AIP funding is a priority.
-

GAO **AIP Grant Awards**
Questionable Assumption Used

- FAA's justification was based on the assumption that the new airport would replace Drake Field as the region's commercial service airport, but
 - the city of Fayetteville stated its intent to retain commercial traffic at Drake Field and
 - no airline had committed to use the new airport, although some were interested.
-

GAO **LOI for New Airport**
Key Criteria for an LOI

- An LOI can be issued only
 - to a primary or reliever airport,
 - for airside development,
 - with financial commitment from the sponsor,
 - for projects that significantly enhance systemwide capacity, and
 - when the benefit/cost ratio is greater than 1.
-

GAO LOI for New Airport
Compliance With Key Criteria

- FAA did not demonstrate that two criteria were met.
 - First, FAA has not defined what constitutes a significant capacity enhancement for projects at small airports.
 - FAA determined that the new airport would add capacity by eliminating constraints affecting Drake Field.
 - It is not clear that the added capacity would be a significant enhancement.
-

GAO LOI for New Airport
Compliance With Key Criteria

- Second, the benefit/cost analysis included questionable assumptions and data and was not updated. For example, it
 - assumed a 100 percent transfer of air traffic to the new airport,
 - used unverified weather data, and
 - was not updated to reflect installation of a new instrument landing system that improves access to Drake Field.
-

GAO **New Airport Connector
Comparison With Other Connectors**

- The National Highway System Designation Act of 1995 set the federal share of funds for the new airport connector at 95 percent.
 - Other statutory provisions allow a 95 percent federal funding share--for example, for states with a high percentage of Native American or federal lands.
 - A comparison with the federal share of other airport connectors can not be made because FHWA does not maintain such data.
-

GAO **New Airport Connector**
Condition of Current Access Roads

- Current access to the new airport is via state highways 264 and 12, which are inadequate for the anticipated increases in traffic.
 - Both highways are two-lane roads with narrow lanes and shoulders and sharp curves.
 - Highway 264--the airport's primary access--has a higher accident rate than similar highways in the state.
-

GAO Viability of New Airport
Air Traffic Projections

- Ultimately, the new airport's viability depends on whether projected air traffic is realized.
 - Drake Field will compete for commercial traffic.
 - No airline has committed to use the new airport, but airlines are evaluating it.
 - The new airport's costs exceed Drake Field's (\$10 vs. \$1.50 per enplanement).
 - Airlines will consider operating costs.
 - Airlines will consider new market potential.
-

**GAO Viability of New Airport
Access to and Cost of Capital**

- Outside financing depends on privately placed and narrowly secured debt:
 - below-market bridge loans,
 - \$29.5 million bond backed by LOI,
 - \$48.0 million revenue bond, and
 - \$10.0 million hangar bond (uncertain).
-

GAO Viability of New Airport
Project Costs & Nonairline Revenues

- The new airport's construction costs are within budgeted levels, but terminal construction has not started.
- Nonairline revenues (e.g., concessions, parking, and tenants) seem reasonable if projected levels of passenger traffic are met.

KEY EVENTS IN THE DEVELOPMENT AND CONSTRUCTION OF THE
NEW NORTHWEST ARKANSAS AIRPORT

Date	Key event
1950-1990	Local consideration was given to a new airport for Northwest Arkansas, but no actions were taken or agreements reached due to local concerns.
September 1990	Representative Hammerschmidt convened a field hearing concerning the need for a new regional airport.
December 1990	Local communities voted to create the Northwest Arkansas Regional Airport (NWARA) Authority to explore the feasibility of a new airport.
January 1991	The NWARA Authority selected a team to study the feasibility/site selection of a new airport in northwest Arkansas. Initially, the airport was envisioned as a cargo airport with dual 12,500-foot runways.
March 1991	FAA provided a \$601,538 grant for a feasibility study of NWARA.
August 1991	The study team issued its feasibility report on the NWARA. The report did not reject the idea of a cargo airport; it projected 16 flights per day for this activity. The report cited the potential for a new commercial service airport to serve northwest Arkansas.
February 1992	A new master plan was completed for Drake Field; the plan acknowledged limitations for expansion.
June 1992	The city of Fayetteville passed a resolution acknowledging that (1) the region needed new airport facilities at Drake Field or a new airport; (2) a new airport may replace Drake Field; and (3) the city would not stand in the way of airlines who want to transfer operations to a new airport.
November 1992	Seven local communities that were part of the NWARA Authority held a referendum to determine if any of the entities wanted to withdraw from the authority; 74 percent of voters rejected the referendum, thereby electing to remain in the authority.
May 1993	A master plan for NWARA was completed and accepted by FAA. The basic cost of the airport was projected to be about \$145 million.
September 1993	FAA provided an AIP grant of \$656,904 for the environmental impact study (EIS) at NWARA.

June 1994	The NWARA Authority began circulating a proposed cooperative agreement among the seven communities comprising the authority that would have designated NWARA as the exclusive commercial service airport for northwest Arkansas. The initiative was never executed due to concerns over its legality.
June 1994	FAA completed its EIS affirming that the project was consistent with existing national environmental policies and objectives.
July 1994	The NWARA Authority submitted a request to FAA for AIP funds (preapplication) for a new airport. The airport, as planned, would include an 8,800-foot runway, an instrument landing system, a terminal building, and an airport access road. Advantages given for the new airport included a longer runway suitable for jet aircraft operations, a precision approach, obstruction-free terrain, avoidance of ground fog conditions, and expansion capability.
July 1994	The Senate Appropriations Committee expressed support (Report 103-310) for a \$54 million multiyear letter of intent for NWARA.
August 1994	FAA issued an affirmative Record of Decision on the EIS for NWARA, which made the airport eligible for AIP grants for land acquisition and construction.
September 1994	FAA awarded an AIP grant for \$9,019,075 for land acquisition at NWARA.
October 1994	The city of Fayetteville passed a second airport-related resolution reiterating its earlier June 1992 position on a new airport; it also stated its intent to retain control of Drake Field and reaffirmed that it would not be a party to the cooperative agreement being circulated by the NWARA Authority.
June 1995	FAA awarded \$4,430,804 in AIP funds for site preparation at the NWARA.
August 1995	The Senate Appropriations Committee (Report 104-126) reaffirmed its support of a letter of intent for NWARA and encouraged FAA to enter into such an agreement.
August 1995	FAA awarded \$7,440,196 in AIP funds for site preparation at NWARA.
September 1995	After learning that FAA would not be able to fund the new airport sufficiently with AIP funds and fearing that costs per enplaned passenger would be too high, the NWARA Authority scaled back the size and cost of the airport, dropping the total cost from \$144 million to about \$107 million. The authority also produced an alternative financial feasibility study to accompany the scaled back airport design.

February 1996	FAA awarded a \$10 million AIP grant for site grading and drainage at the NWARA.
March 1996	Construction began at NWARA; the contract for grading and drainage was awarded for about \$6.5 million less than anticipated.
July 1996	The Senate Appropriations Committee (Report 104-325) endorsed expeditious consideration of a multiyear letter of intent for NWARA.
November 1996	The NWARA Authority made a final request for a letter of intent for NWARA.
February 1997	FAA approved a letter of intent to fund the NWARA for \$29.5 million beginning in fiscal year 1998 and ending in fiscal year 2002. In approving a letter of intent, FAA officials believed they were preventing increases in construction costs. According to FAA officials, remaining construction costs eligible for federal funding exceeded what could be provided in a single-year federal grant. The airport authority estimated that bidding construction of the runway, taxiway, and apron as one package would save about \$24 million over a three-phased construction approach. Issuing a letter of intent would allow the airport authority to go forward with construction through a single package while retaining eligibility for federal funding on a reimbursable basis.

(341533)