

GAO Highlights

Highlights of [GAO-17-504T](#), a statement for the record to the Subcommittee on Aviation Operations, Safety, and Security, Committee on Commerce, Science, and Transportation, U.S. Senate

Why GAO Did This Study

Roughly 3,300 airports in the United States are eligible for federal AIP grants from the FAA that can be used for certain types of projects, such as building runways and noise mitigation. To fund development, in addition to AIP grants, airports rely on locally generated revenues and federally authorized PFCs, which are added to the price of an airline ticket and have been capped at \$4.50 per flight segment.

The administration's call to boost spending on public infrastructure has renewed attention on the importance of maintaining and improving airport infrastructure.

This testimony discusses: (1) the differences between estimates of airports' planned development costs, (2) the federal funding and other airport funding and revenues that may be available to defray development costs, and (3) the implications of increasing the cap on PFCs, among other objectives.

This testimony is based on previous GAO reports issued from March 1998 through April 2015, with selected updates conducted through March 2017. To conduct these updates, GAO reviewed recent information on FAA's program activities and analyses outlined in FAA reports, and related airport industry estimates of infrastructure development costs. GAO also interviewed officials from FAA, and airport and airline trade associations.

View [GAO-17-504T](#). For more information, contact Gerald L. Dillingham at (202) 512-2834 or dillinghamg@gao.gov.

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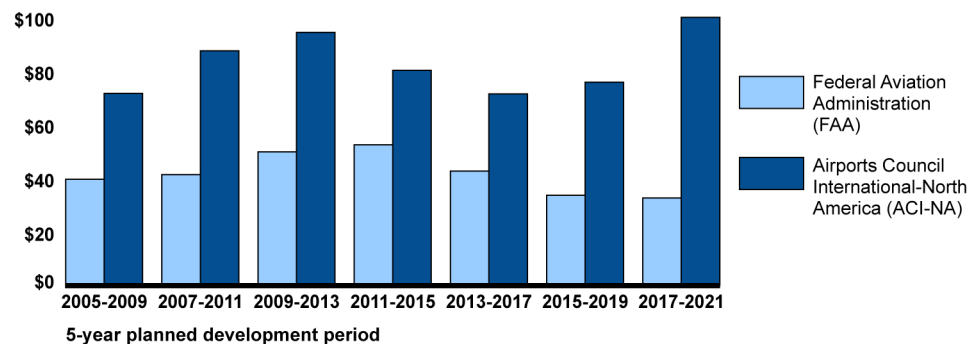
AIRPORT FUNDING

FAA's and Industry's Cost Estimates for Airport Development

What GAO Found

The Federal Aviation Administration's (FAA) estimate of the costs for planned capital development at airports over the next five years is about \$32.5 billion, compared to the Airports Council International-North America's (ACI-NA) estimate of almost \$100 billion, both for the period 2017-2021. The difference between these two estimates can be attributed to a number of factors, but most significantly to the types of projects included in the estimates. FAA's estimate is limited to projects that are eligible for Airport Improvement Program (AIP) grants that do not already have funding arranged, whereas ACI-NA's estimates include all projects regardless of AIP eligibility or whether funding is arranged. The figure below illustrates the disparity between the two estimates since 2005. Note that since 2015, FAA's estimate has decreased by \$1 billion whereas ACI-NA's has increased by \$24.4 billion.

FAA's and ACI-NA's Planned Development Cost Estimates, 2005–2021
Dollars in billions



Source: GAO analysis of FAA and ACI-NA data. | GAO-17-504T

In addition to the AIP and state grants they receive, airports generate funds through airport-generated income and Passenger Facility Charges (PFC), among other sources. In 2015, GAO estimated that funding from these sources totaled an average of \$10.3 billion annually (2013 dollars), \$2.7 billion less than airports' planned development costs. Airports have a number of options for addressing any shortfall in funding their planned development costs, including prioritizing development projects, financing projects with long term debt, attempting to increase airport revenues, or entering into public-private partnerships.

Increasing or eliminating the PFC cap would significantly increase PFC collections available to airports under three scenarios GAO modeled in prior work. However, according to GAO's model, an increase in the PFC could also marginally slow passenger growth and therefore the growth in tax revenues to the Airport and Airway Trust Fund (AATF), which is used to fund FAA programs. Such projected effects depend on key assumptions regarding the consumers' sensitivity to a PFC cap increase, whether the airlines decide to pass on the full increase to consumers, and the rate at which airports would adopt the increased PFC cap. Any increase in PFCs is strongly opposed by airlines which contend that an increase could reduce passenger demand.