Chapter 5 - Funding

5.1 Overview of FAA Funding

The Federal government began subsidizing airports in the 1930’s as part of its effort to create jobs and stimulate the economy during the Great Depression. During World War II the need for a strong system of airports to ensure national defense was realized. This realization led to the first major support of airport construction under the Federal Airport Act of 1946, which provided $500 million in grants for airport projects. Many of today’s airports were built in this era with monies appropriated by this Act. In the 1960’s, with the rise in use of commercial aviation for travel, substantial funding went to upgrade and extend runways for use by commercial jets.

By 1970, congestion and capacity concerns for the nation’s airports had surfaced. Congress responded by passing two Acts to address these concerns, the Airport and Airway Development Act and the Airport and Airway Revenue Act. The Airport and Airway Development Act dealt with the spending side of federal aid to airports. It established the Airport Development Aid Program (ADAP) which set aside a legislatively set amount of monies through grants. This Act also set up grant criteria and distribution guidelines for these monies. The second Act, the Airport and Airway Revenue Act of 1970, dealt with the revenue side of airport development. This Act established the Airport and Airway Trust Fund. Revenues from a variety of aviation user fees, such as ticket taxes and flight segment taxes, and aviation fuel taxes are dedicated to this fund.

The Federal Aviation Administration (FAA) oversees the monies from the Airport and Airway Trust Fund. These monies support four areas of funding. The areas are Operations and Maintenance (O&M), Facilities and Equipment (F&E), Research, Engineering and Development (RE&D) and the Airport Improvement Program (AIP). O&M also receives money from the U.S. Treasury general fund. Funds for the AIP are used to support projects at the airports that are listed in the NPIAS while the other three areas of funding are used by FAA to support their agencies infrastructure and programs.

O&M funds are used for air traffic control facilities and services; aviation regulation and certification; and maintenance, repair and engineering of over 64,000 facilities and equipment comprising the National Airspace System (NAS).

F&E includes funding for planned facility improvements, equipment development and procurement, and the necessary technical support for systems installation. This funding supports FAA’s Capital Investment Plan to replace or modernize aging facilities, expand the air traffic control system, increase aviation services, maximize operational efficiency and constrain costs.

FAA’s RE&D program makes significant contributions to aviation research that assure the safety, capacity, and cost effectiveness of the air transportation system to meet increasing demands. Some examples of activities in this program are flight safety improvements, and research of noise reduction technology.
The AIP is a federal grant program that represents a major source of funding for airport development and planning. Most airports rely on AIP grants to fund airport projects, therefore this chapter will focus on the AIP program. The fund provides grants to eligible airports for safety, security, capacity enhancement and noise mitigation projects. The Airport and Airway Improvement Act of 1982 created the current Airport Improvement Program. It replaced ADAP and made significant changes in the operation of the program. These changes include increasing the federal share of eligible project costs, altering the distribution among different categories of airports, and earmarking a portion of funds to noise abatement and compatibility planning.

The overall objective of the AIP is to assist in the safety, security and development of the nationwide airport and airway system to insure the system is adequate to meet the current and projected growth of aviation. FAA priorities include maintaining the current airport infrastructure; increasing capacity to meet the growing passenger and cargo demands; developing reliever and cargo hub airports; reducing flight delays; and keeping funding available to small hub and general aviation airports. For an airport to be eligible for AIP funds it must be a publicly owned airport or have reliever status if it is privately owned, and it must be listed in the FAA’s NPIAS. Therefore, all privately owned general aviation airports without reliever status are not eligible for AIP funding. Because of this each state should periodically review their airports listed in the NPIAS and make recommendations to FAA to add or remove reliever status as circumstances warrant.

The AIP has been amended several times. The Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21) was completed in April 2000. It included a substantial increase in funding levels from previous versions. From a funding level of approximately $1.9 billion for FY 2000, AIP’s authorization increased funding by nearly 70% to $3.2 billion for FY 2001, then to $3.3 billion for FY2002 and $3.4 billion for FY2003. This Act also raised the ceiling for the Passenger Facility Charge (PFC) to $4.50 per boarding passenger. In return for imposing a PFC of more than $3, large and medium hub airports are required to give back 75% of their entitlement funds. The funds that are given back (87.5%) are then made available to smaller airports, with the remaining 12.5% going to the discretionary fund.

AIP funding is usually spent on projects that support aircraft operations, with runway, taxiway, and apron projects receiving about 50% of the funding. Projects vying for the remaining 50% are, lighting, noise abatement, and land purchase as well as safety, emergency and snow removal equipment and any professional services that are necessary for eligible projects, such as planning, surveying, and design. Ineligible projects include improvements for commercial enterprises, landscaping, office equipment and revenue producing portions of terminals, and parking garages. As of FY 2004, some support facilities such as fuel farms and hangers may be eligible for federal funding, if certain provisions are met. All projects must be justified and meet federal environmental and procurement requirements before a grant can be issued. The project also must be depicted on a current airport layout plan (ALP), which is a product of an airport’s master plan.
The terrorist attacks on September 11, 2001 led to the passage of the Aviation and Transportation Security Act of 2001 (ATSA) which increased the security improvements and projects that are eligible for AIP grants. In FY 2002 over $500 million in AIP funds were diverted for airport security activities. These funds would have been used for increasing system capacity and safety. Airports are struggling to adhere to the mandates required of them as a result of the tragedies of September 11th.

The demand for AIP funds is greater than the availability. The distribution system for AIP grants is elaborate. It is based on a combination of formula grants and discretionary funds. Each year formula grants, sometimes referred to as apportionments or entitlements, are divided into four categories, primary airports, cargo service airports, general aviation airports and Alaska supplemental funds. Each category distributes AIP funds by a different formula. The amount for primary commercial airports is based on the number of passenger boardings (enplanements) from the previous year. 3.5% of AIP funds are apportioned for cargo service airports. This allocation of funds is the proportion of the individual airport’s landed weight to the total landed weight of all cargo service airports. General aviation airports, including reliever airports, receive a total of 20% of AIP funds. Each of these airports receives the lesser of $150,000 or one-fifth of the estimated 5-year costs published in the NPIAS to a maximum of $200,000 per year. Alaskan airports get at least as much as they received in 1980 (1999 was 10.5 million) in addition to whatever they receive under the other entitlements.

After all these entitlements are funded any money left over can be spent by FAA at their own discretion. Discretionary grants are approved by FAA based on project priority and other selected criteria. Despite its name, this fund is subject to three set-asides, which are airport noise, military airport program and grants for reliever airports. At least 35% of discretionary grants are set-aside for noise compatibility planning and noise abatement programs. At least 4% of discretionary funds are earmarked for converting current or former military airports to public use airports or dual use airports. There is a discretionary set-aside of 2/3 of 1% for reliever airports in metropolitan areas suffering from flight delays.

The federal share (how much the FAA will pay) for both formula and discretionary grants is as follows; large and medium hub airports are eligible for 75% federal funding, with noise program implementation being eligible for 80%. As of FY 2004 small hub, reliever and general aviation airports are eligible for 95% funding, up from 90% in previous years. The airport sponsor is responsible for the remaining amount. Most states contribute a portion of that remaining 5%. The State of Connecticut contributes 75% of the non federal share which is 3.75% of the total project amount, leaving the sponsor responsible for 25% or 1.25% of the total project amount.

Airport sponsors who accept a grant offer make specific obligations to the federal government for a period of the useful life of the project (typically twenty years). These obligations include but are not limited to; operating and maintaining the airport in a safe and serviceable condition for public use, the proper use of airport revenue, not allowing any activity that would interfere with its use as an airport, and not granting exclusive rights to those providing aeronautical services.
The AIP is one of five major sources of airport capital development funding. The other sources are tax exempt bonds, PFC’s, state and local grants and airport operating revenue such as vehicle and aircraft parking fees and concession rentals. Small airports are more likely to be dependent on AIP grants than larger airports.

5.2 Reauthorization of FAA Funding

The Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21) expired on September 30, 2003, the end of the federal fiscal year. Reauthorization legislation had not been passed at that time therefore Congress extended Continuing Resolution funding in order to keep the FAA functioning.

After months of Congressional discussion Vision 100 – Century of Aviation Reauthorization Act (Vision 100) was signed into law by the President on December 13, 2003. Vision 100 is a four year 60 billion dollar reauthorization bill that provides monies for FAA programs, including the AIP, that are responsible for funding safety and infrastructure improvement’s at our nation’s airports. It authorizes AIP funding at an overall total of $14.2 billion. The AIP will be funded at $3.4 billion for FY 2004 and increase $100 million annually, through FY 2007, at which time it would be $3.7 billion. This includes $140 million to assist small communities in attracting and retaining air service, $308 million to ensure air service to isolated communities and $2 billion to create more efficient security screening at airports. This measure also extends budgetary protections to ensure Airport and Airway Trust Fund revenues are fully utilized for their intended purpose. Vision 100 also provides new sources of funding for important environmental and clean air initiatives at airports and the purchase of land for the conversion of an airport from private to public ownership. In addition, the bill includes a pilot program that will allow FAA to work with the airlines to reduce delays at the nation’s most congested airports.

The ultimate objective of reauthorization is to create an even safer and stronger aviation system, which is already a model for the rest of the world. Vision 100 has provisions to increase safety and improve capacity at airports through continued infrastructure funding, to streamline the environmental review process, and to continue to restore a system that has been disrupted by economic recession and the terrorist attack. It also will allow funds to be used for research to reduce aircraft noise and emissions and safety data collection activities, and fund programs that assist smaller communities maintain vital air service.

5.3 Funding for Connecticut Airports

There are generally five funding sources for airport development; airport cash flow, revenue and obligation bonds, AIP grants, PFC’s, and state and local grants. Some large airports are basically self sustaining but some smaller commercial service airports and general aviation airports count on government grants and obligation bonds.
Commercial service airports get entitlement money every year based on the number of passenger boardings from the previous calendar year (CY). In FY 2005 BDL received $2.2 million in entitlement money from FAA. $1.53 million was received for passenger boardings and $667,000 based on cargo operations. Of the six airports owned and operated by the State, BDL is the only self-sustaining airport. It was established as an enterprise fund of the State in 1982. The budget for BDL has to be approved by The Airline Affairs Committee.

GON received $1.0 million in federal funding in FY 2005 per year based CY 2000 operations. These operations have dropped off substantially and GON is in jeopardy of losing this funding. HVN received entitlement money totaling $1 million from FAA in FY 2005. Because it is a municipal airport, the State is not involved in that process.

ConnDOT received approximately $2.0 million in apportionment money from FAA in FY 2005. ConnDOT’s, Bureau of Aviation and Ports distributes these funds to state and municipal airports that are not eligible for entitlement money. These airports should have a capital improvement plan (CIP) showing what improvements they have planned, how much each improvement is expected to cost and a schedule for these projects. This helps ConnDOT decide the best use for the funding.

Connecticut General Assembly, Public Act No. 05-4 entitled “An Act Concerning the Authorization of Special Tax Obligation Bonds of the State for Certain Transportation Purposes” Section 2 states, in part, that ConnDOT’s, Bureau of Aviation and Ports receives up to $2 million for development and improvements of general aviation airport facilities, excluding BDL. $200,000 of that money is earmarked for aid to municipal airports. This is generally used to supplement the 95% federal funding they receive. The state will contribute 3.75%, leaving the municipality responsible for 1.25% of the total cost of a project. The remaining $1.8 million is for State airport projects. This money can be used as the 5% match to federal funding or for projects that are not eligible for federal funds. Again, a CIP is helpful to both the airport and the State for financial planning purposes.

Public Act No. 05-251 specifies that Tweed-New Haven airport will receive an "Airport Grant" of $600,000 in FY 2006 and 2007. These monies are used to subsidize operating costs for the airport.

There are thirteen privately owned public use airports in Connecticut. Although four are listed in the NPIAS, only one is classified as a reliever, making it the only privately owned open to the public airport eligible for federal funding. The reality is that there is so much demand for federal funds that by the time the needs of the small airports are considered, there may be little or no money left.

5.4 Other States

Some smaller general aviation airports have closed due to financial strain. States have realized the value these airports bring to the community and therefore have tried to come up with solutions to keep them operating. One major area of expense is airport safety and
maintenance programs. Massachusetts and Maine have 80/20 state/local funding programs for safety and maintenance for all public use airports. Rhode Island owns all the public use airports in their state.