

Project Funding

The need for infrastructure improvements and its associated funding at airports across the country, including in Minnesota, is at an unprecedented level. The Airports Council International indicated that U.S. airports will require nearly \$100 billion from the years 2017 to 2021 in funding to accommodate growth in passenger and cargo activities and rehabilitate existing facilities. The cost of work is also increasing, exacerbating the existing problem of funding shortfalls. Material prices, such as steel, concrete and asphalt, and labor costs are rising as the economy grows and construction demand increases. The need and demand are real, so where will states, cities, communities and airports find the money to make the needed repairs and accommodate for growth that will ultimately drive economies for their region? This trend paper focuses on recent funding developments in the Federal Aviation Administration (FAA) and the State of Minnesota –Department of Transportation (MnDOT) as these agencies strive to meet the demand.

Federal Aviation Administration (FAA)

The FAA allocates money through numerous channels in the FAA to support its mission, approved through the budgeting process in Congress. This trend paper focuses on three specific FAA funding categories, including the Airport Improvement Program (AIP), the Passenger Facility Charge (PFC), and a recent special appropriation granted to airports.

Airport Improvement Program (AIP)

The AIP program is designed to provide grants to public agencies for the planning and development of public-use airports that are included in the federal system of airports, also called National Plan of Integrated Airport Systems (NPIAS). The AIP program funds improvements related to enhancing airport safety, capacity, security, and environmental concerns. In general, airport sponsors can get AIP funds for most airfield capital improvements or rehabilitation projects and in some specific situations, for terminals, hangars, and other development.¹ The funds obligated for AIP are drawn from the Airport and Airway Trust Fund, established in 1970, which is supported by a variety of user fees and fuel taxes.

The AIP program is currently funded at \$3.35 billion, and has relatively held steady since 2012. It should be noted that the FAA program is appropriated by Congress and requires inclusion in the budget bill. The AIP program is designed for longer appropriations. However, the funding program has seen short term continuing resolutions over the last six years as political deadlock hampers long term budget deals. The current continuing resolution supports the AIP program until September 30, 2018.

As the demand for AIP funding continues to increase, the FAA is tasked with managing priorities and allocating the funds appropriately. They have instituted programs to steer funding according to their priority models. This can be seen in the introduction of unclassified airports. In 2010, the FAA examined the roles of general aviation airports that did not fit into four specific airport categories. The airports that remained unclassified (the most common reason being a NPIAS airport with less than 10 based aircraft) would no longer receive entitlement funding. Unclassified airports would be still eligible for high priority projects through coordination with the FAA. As of the most recent update in 2014, 6 airports in Minnesota were identified as unclassified including Lac Qui Parle County Airport, Ortonville Municipal Airport, Silver Bay Municipal Airport, Springfield Municipal Airport, Tracy Municipal Airport and Wheaton Municipal Airport.

¹ [FAA, 2018](#)

Passenger Facility Charge (PFC)

The Passenger Facility Charge (PFC) was instituted in 1990 as federal deficits and expected tight budgets led to concerns that the Airport and Airway Trust Fund and other existing sources of funds for airport development would be insufficient to meet national airport needs. This new fee was developed to complement AIP. It allows airports to charge a fee, included in the total ticket price paid to an airline, to passengers boarding commercial aircraft at their facility. The total allowable fee was raised from \$3.00 to \$4.50 in 2000. Since 2000, there have been no significant changes to the PFC program. Airports and aviation trade organizations are advocating for an increase in the PFC amount to fund needed critical infrastructure improvements. Airlines, among others, are concerned that increased fees will add to ticket prices and that airlines are paying for needed improvements at airports already.

Special Appropriation – Bipartisan Budget Act of 2018

The recent budget bill allocated a one-time \$1 billion of general fund dollars to the AIP program. The funding is a discretionary grant program intended for airports designated as nonprimary, non-hub and small-hub airports.² This infusion of cash will undoubtedly help alleviate funding constraints for airports in the FAA system. \$1 billion represents a nearly 30 percent increase to the AIP program for 2018, which will allow the FAA to extend grant offers to more airports and fund more projects.

State of Minnesota – Department of Transportation (MnDOT)

The State of Minnesota funds a considerable number of aviation projects across the state's 135 airports including nearly \$15 million for airport construction and the maintenance and operation (M&O) grant programs.³

MnDOT Aeronautics identified the following goals to support infrastructure improvements across the state:

- Maximize use of FAA dollars
- Support FAA ineligible airside needs
- Fund non-NPIAS projects
- Fund equipment purchase
- Continue to sustain the system.

MnDOT has undergone studies and capital improvement projections to determine the actual need and better forecast demand for state funding. These efforts have led to the state to identify over \$30 million in need for its construction and M&O grant programs. Annually, the requests to fund eligible and justified projects exceeds the available state grant dollars. In order to continue to support the goals, MnDOT Aeronautics is requesting increases of nearly \$3 million, or 14 percent, in fiscal years 2018 and 2019 based on documented need through the capital improvement process.⁴ If project needs are unmet, needed maintenance of existing airport infrastructure and needed airport expansion projects may be delayed as airport sponsors are unable to fully fund projects.

The State of Minnesota also assists communities and airports through the state bonding program. Projects that have a regional significance and are supported by the legislature and governor's office can be considered for the infrastructure bonding bill,

² [AASHTO, 2018](#)

³ [Minnesota House Research Department, 2015](#)

⁴ [MnDOT, 2017](#)

which is typically considered every other year. Several airport projects have received bonding dollars to fund needed airport improvements in the past several years.

Conclusion

Both the FAA and MnDOT Aeronautics have identified a considerable need for funding and grant programs to aid in the construction, rehabilitation, expansion and operation of airport facilities throughout the state of Minnesota. The documented needs are projected to increase, leaving governmental agencies with the challenge of finding ways to support currently unfunded projects.