

# AIR TAP Briefings

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## Capital improvements require foresight, funding

Capital improvements can contribute greatly to an airport's future success, but they require a serious financial commitment by the airport owner. Planning ahead for capital improvements is critical—from both an engineering and a financial perspective. Although state and federal sources are available for project funding, good planning is needed to get a project programmed and funded, and the local airport owner must also plan for the financial responsibility of the local share.

### Federal money

The Airport Improvement Program (AIP) is the major source of federal funding for airports. AIP funds can be used for airfield capital improvements, justified land acquisitions, and safety equipment purchases (see Table 1). The local airport owner, however, must pay for some of the airport improvement costs. For most airports, the local share is set at 90 percent of AIP-eligible costs; for medium and large hub air-carrier airports, it's 75 percent, and for some essential air service locations, it's 95 percent.

Federal Aviation Administration (FAA) AIP funds are divided into major entitlement categories that include enplanements, non-primary, and state apportionment funds. The remaining funds are distributed to a discretionary fund.

- The primary fund is available to airports with more than 10,000 enplanements annually. It allows for at least \$1 million in grants per year.
- Non-primary entitlement funds are capped at \$150,000 per year, which can be used for up to four years. These funds are available for all general aviation airports in the National Plan of Integrated Airport Systems (NPIAS).
- State apportionment funds are used for

larger, state-prioritized projects.

- Discretionary funds allow airports to compete nationally for money and can cover projects that cost several million dollars.

### State money

At the state level, the primary funding source is the airport construction fund. This fund covers construction, major rehabilitations, planning, equipment, buildings (not hangars), lighting, and land acquisition costs. Funding rates vary—for example, the funding rate is 70 percent for NPIAS airports and 80 percent for non-NPIAS airports. The state participation rate for equipment costs is two-thirds, with the local airport owner paying a one-third share.

The maintenance and operations fund covers airport upkeep such as snow plowing, mowing, and minor maintenance and rehabilitation projects. The hangar loan program assists airport owners with 10-year interest-free loans, which can be used to finance bay or T-hangars owned by the airport. State apportionment funds are federal funds that a state can apportion for projects selected three to four years in advance. State apportionment typically funds four projects per year in the \$1 million to \$3 million range. Navigational aid (NAVAID) projects are funded from a separate fund, which allows the state to pay up to 100 percent of the costs.

### Eligibility

To be eligible for funding, an airport owner must first have a current and realistic Capital Improvement Program (CIP). Each year, the Minnesota Department of Transportation (MnDOT) Office of Aeronautics asks airports throughout the state to submit or revise a five-year CIP. An airport's CIP identifies its slate of capi-



A runway construction project could be broken up into grading one year, followed by paving and final work the next.

tal projects for at least five years. Airports submit a project description, cost estimate, federal programming sheets (available at [www.mnaero.com](http://www.mnaero.com)), and start date. Federal and state agencies use that information to determine and allocate funding for eligible projects.

The CIP is an important planning tool for airports. The more the CIP reflects a thoughtful airport development plan, the more likely the funding process will go smoothly. Airports that develop their CIPs without thinking through the major steps may experience project delays.

At a recent Minnesota Council of Airports (MCOA) session on airport funding, John Peterson from TKDA and Marcus Watson from Bolton and Menk covered several ways to improve an airport's CIP and its chances of getting funded. An airport owner should meet with the FAA and MnDOT regional engineer early in the planning process, and then again every year, they noted. The CIP should be developed with consideration for projects that are 5 to 10 years out. An airport owner should also indicate the airport's commitment, both with the planning and engineering efforts required to implement a project and with the local funds required to match state and federal funds, they said.

Continuous coordination with the city council and airport board is also important in order to budget for up-front costs. At the MCOA session on airport finance, Mike Ferry from MnDOT Aeronautics emphasized the importance of ensuring detailed eligibility for a project up front, as he has seen projects bid and ready to go before a problem was identified and the local share was difficult to adjust. These issues can be avoided by working closely with MnDOT, the FAA, and local staff, Ferry added.

### Budgeting for the local share

The local share of FAA-funded projects has recently doubled, from 5 to 10 percent. Since this represents a significant commitment by the local airport owner, it may be

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**Table 1. Examples of Eligible and Ineligible AIP Projects**

Hangars (non-primary airports)	Artwork
Airport drainage	Development that exceeds FAA standards
Airfield lighting	Developments for exclusive use
Airfield signage	Improvements for commercial enterprises
Runway, taxiway, and apron construction and rehabilitation	Industrial park development
Environmental studies	Landscaping
Fuel farms (non-primary airports)	Maintenance equipment and vehicles
General aviation terminal buildings	Marketing plans
Land acquisition	Office equipment
Certain NAVAIDs	Training
Planning studies	Airport operational costs
Safety area improvements	Fixed-base operator (FBO) support areas
Weather observation stations (AWOS)	Separately funded federal agencies

# An airport's story: Hutchinson Municipal Airport

Access to a variety of local businesses make Hutchinson Municipal Airport-Butler Field a valuable tool for executives, according to John Olson, the airport's public works manager since 1997. The general aviation airport has stimulated growth in Hutchinson's economy by providing local businesses with transportation and employing people to work in the airport's growing community. Most of the traffic at the airport is to and from local businesses and helicopter operations, Olson says.

Hutchinson Municipal served as a base for skydiving operations in the 1990s and early 2000s. The current fixed-base operators working on the airfield are Hutchinson Aviation and Helicopter Emergency Medical Service.

The airport has been used as a helicopter base for medical transportation service Life Link III since 2005. Olson says that this nonprofit consortium is by far the biggest user of the airport, sometimes flying out

several times a day to care for Minnesota patients. All helicopter bases fly to the main medical base located in Minneapolis; several other helicopter bases operate in other counties that are approximately the same distance as Hutchinson is from Minneapolis. Olson calls his county a "key area" for Life Link III operations, saying, "lots of good people are receiving help quickly" due to Life Link's services. The nine healthcare organizations that make up the Life Link III consortium make transportation from surrounding counties to Minneapolis medical centers available around the clock, 365 days a year.

The Hutchinson airport also participates in various community events in the area. It hosts Hutchinson's annual Water Carnival, which features a fly-in/drive-in pancake breakfast on Father's Day, as well as the Hutchinson Civil Air Patrol's Water Carnival Pork Chop Dinner. The airport facilities, including wireless Internet and

a conference room, are made available to local groups and businesses on a regular basis.

Butler Field is named in honor of Ken Butler, a 2004 Minnesota Aviation Hall of Fame inductee who helped establish the Hutchinson airport in 1965. The arrival-departure terminal was named after aerobic pilot and airport commission member Joseph Dooley.

The airport has gone through numerous changes that began in 1993—a paved runway expansion (to 4,000 feet) and construction of the arrival-departure terminal, FBO facility, parallel taxiway, apron, and entrance road. A Jet A fuel facility was installed in 2005, the eight-unit T-hangar was constructed in 2007, and the 5,600 square-foot hangar for Life Link was built in 2009.

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advantageous to divide an airport project into several individual units of work and phase it over several years. For example, a new runway construction project could be broken up into grading one year, followed by paving and final work the next. During the MCOA session, Sandy DePottey with the FAA noted that the new FAA reauthorization bill is a four-year program, which allows the FAA to fund projects over multiple years. It may also be possible to identify local partnerships (such as businesses and users) that will benefit from the economic development resulting from an airport improvement. Watson and Peterson suggested setting up a fund for airport revenues (e.g., money from fair lease rates on hangars, parking fees, fuel revenues, tie-down fees) that could be dedicated to the local share on an airport project. Bonding may also be an option. [Watch for an AirTAP session on bonding in Fall 2012.] If an airport wants to include its project on a statewide bond initiative, the airport's local

MCOA representative can offer some assistance. MnDOT does not lobby for individual bonding projects, but MCOA can, and an airport may find success in funding a large project through the state bonding bill.

Another challenge for local airport owners is funding the cash flow requirements for an airport project. During design and construction, an airport owner must make monthly payments to the engineers and contractors, which are then submitted for reimbursement. Without proper planning, the airport owner will be responsible for a significant outlay of monies while waiting for reimbursement, which averages about two weeks. Understanding the reimbursement schedule is another important factor in

receiving funding.

Finally, after a project is built, a closeout report is required for the local agency to receive the final retainage and finalize the project. DePottey noted that failing to complete the closeout report will affect the number of grants an airport receives in the future.

AirTAP has developed the *Capital Improvement Program Guide*, available on the AirTAP website ([www.airtap.umn.edu/publications/other/](http://www.airtap.umn.edu/publications/other/)), to help airports identify and plan for capital improvements. And airports can obtain additional guidance and information on airport funding by meeting with their MnDOT regional engineer.

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