ACRP Problem Statement 17-01-05

Airport Funding Methods, Sources, and Timing of Distribution

ACRP Staff Comments

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TRB Aviation Committee Comments

AVIATION ECONOMICS AND FORECASTING: The problem statement's objectives need to be better focused; it is unclear who will benefit or how. Research methodology is also not explained. Timing of funds and lack of funds are entirely different. In addition, as many of the funds are state or local in nature, the applicability for other airports will be very limited. The research bibliography seems pretty limited, as ACRP and others beyond GAO have looked at alternative financing for airports, e.g., ACRP Project 03-39, Generating Revenue from Commercial Development On or Adjacent to Airports.

Review Panel Recommendation and Comments

Recommended as a synthesis. AIP is well-established; most people are very familiar with it. The proposed research seems to be merely assembling existing information. It could be helpful to small airports if examples were provided. Might be helpful at the state level. Recommended as a synthesis and add a look at alternative funding strategies.

AOC Disposition

This problem statement received an average rating of 2.0 points out of a possible 5 points among voting AOC members. There was no discussion. No funds were allocated.
I. PROBLEM TITLE

Airport Funding Methods, Sources, and Timing of Distribution

II. RESEARCH PROBLEM STATEMENT

Over recent years, there have been many challenges in collecting and distributing funding to airports for infrastructure improvement projects. One such challenge is a decline in aviation activity which has impacted the sources and the levels of some funding available for airports. Another challenge is the timing in which federal and state airport funding grants are issued, especially for airports in northern climates that have limited construction seasons due to cold weather. These challenges impact the ability of airports to complete projects that are needed for continued operation.

Funding is a concern for small and large airports alike as they look to address infrastructure needs. As a result, the need for airports to find new and alternative funding sources (such as economic development agency grants and private funding) is increasing to complete projects on schedule to meet the timely demands of users.

Research is needed to identify and develop a comprehensive listing of funding sources that are available to airports for development and maintenance. This will include a review of traditional federal, state, and local funding sources as well as other non-traditional funding options. Additionally, research is needed to describe impacts of current grant award timing.

This proposed research would provide a summary of the state of the industry at this point in time related to both funding sources with a focus on recent methods to fund projects using federal, state and local sources. This research would also evaluate the challenges associated with the industry’s inability to accurately predict when these various sources of funding will be available in a fiscal or calendar year.

III. OBJECTIVE

The objective of this project is to identify and document available funding sources for airport infrastructure maintenance and improvement, and to evaluate the impact of grant issuance timing.

IV. RESEARCH PROPOSED

The research needed for this document will include airport improvement grant history records as well as discussions with federal, state, and local airport officials throughout the United States. Focus will be necessary on airports in states with short construction seasons; however, a sample of airports from different locations throughout the United States will be needed for evaluation to address any seasonal construction implementation issues that are not related to wintertime conditions. The resulting research should also include a focus on traditional and non-traditional funding sources that are used to implement airport improvement projects.

It is proposed that the research use a combination of interviews with airports, state and federal officials and records review. This is due to the fact that just the figures alone in the grant history will not tell a full story of how the timing of grants is affecting project delivery. For example, a review of grant history records will provide insight into when grants are issued, however, more research will be necessary to document when construction actually began on a project, how the timing may have affected the construction – both positively and/or negatively, and the impact the timing may have had on other projects either at that airport or in that state or region. For example, if funding for a project at an airport comes too late in a season, are the funds diverted to a different project at the target airport (or possibly to another airport in the state or region), or are the funds being held for the next construction season?

With regards to the methods of funding, it is recommended that the research take a broad look at the federal, state and local levels to investigate how various airport projects are developed. Funding from the FAA through the Airport Improvement Program (AIP) is the primary source of funding for many airports, however based upon recent system planning exercises in several states, it was noted that funding for airport projects is also being obtained from a wide range of other sources that vary from state to state. For example, in North Dakota, airport improvement funds are being provided from state sources tied to the...
oil industry. Locally, airports in North Dakota have the ability to institute a mill levy to provide local matching funds to the state and federal funds.

In many states, the source of state funds are tied to either general fund allocations or sales tax related sources. It is recommended that the research for this project begin with an inventory of individual states and the methods of funding that the state aviation agencies are aware of within their jurisdictions. This would identify funding methods and sources at the federal, state and local levels that some states may not be aware of and may or may not work for them.

For example, in the State of Michigan, several airport building projects have been funded with FAA AIP funds and with USDA Rural Development Funds. By investigating this option that the State of Michigan and several Michigan airports have used, the researcher may assess the application of these types of loans within other states and document the types of projects completed. This is merely one sample of the type of research anticipated that demonstrates the general assessment method that is suggested. By beginning the research in the middle with the state aviation agencies, and looking at the historical involvement of state, local and federal sources, it is anticipated that several options to review will be revealed to the research team.

The goal of the research is provide airports and state aviation agencies with a summary of various options available for funding that may be applicable to them and also provide a review of the importance and possible impacts that can result from changes to traditional funding distribution schedules.

V. ESTIMATE OF THE PROBLEM FUNDING AND RESEARCH PERIOD

**Recommended Funding:** The recommended funding for this project is $350,000.

**Research Period:** It is anticipated this project will be completed in 15 months - 12 months for development and 3 months for review and revision.

VI. URGENCY AND PAYOFF POTENTIAL

This research is important because airports are increasingly searching for alternative funding sources to address needed projects. A recent, single source of available options weighting the advantages and disadvantages of each with a discussion of delivery methods is not currently available to the industry. Also, long-term impacts to the capacity of the NAS is unknown as a result of short-term delays in the awards of traditional federal and state airport improvement grants. The potential payoff in the achievement of the project objective is twofold: 1) to make airports aware that other funding options are available outside of traditional federal and state aviation funding sources to implement infrastructure maintenance and improvement projects, and 2) to document the impacts of grant issuance timing.

VII. RELATED RESEARCH

A review of research within ACRP and external to ACRP has been conducted and one ACRP report and three external resources were identified that may relate to this proposed research.

- **Existing Research- ACRP**
  - ACRP Synthesis 1: Innovative Finance and Alternative Sources of Revenue for Airports, Ch. 2 & Appendix A

- **Existing Research- External**
  - United States Government Accountability Office: Airport Funding - Aviation Industry Changes Affect Airport Development Costs and Financing
  - United States Government Accountability Office: Airport Financing – Funding Sources for Airport Development
  - United States Government Accountability Office: Airport Finance - Information on Funding Sources and Planned Capital Development

VIII. PERSON(S) DEVELOPING THE PROBLEM

NASAO members from the following states have shown support for this Problem Statement:

- Maine
- Michigan
- North Dakota
- New Mexico
- Washington
- Louisiana
- North Carolina
- Minnesota
IX. PROCESS USED TO DEVELOP PROBLEM STATEMENT

This problem statement was developed through formal outreach to the National Association of State Aviation Officials (NASAO) membership, at the request of ACRP.

X. DATE AND SUBMITTED BY

NASAO

Submit to:

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