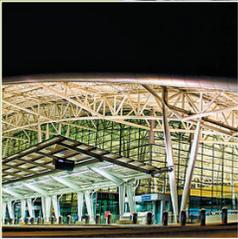


# AVIATION

GRADE: C



## Introduction

Aviation in Indiana, particularly the general aviation community, is faced with declining funding support in 2010, with not much relief on the horizon for 2011 or 2012. Failure by the United States government to successfully pass a new reauthorization bill has severely hindered the ability of the Federal Aviation Administration (FAA) to develop grants due to short-term extensions and continuing resolutions of the 2007 bill.

Indiana has 107 public-use airports<sup>1</sup>, of which 69 are identified by the Indiana Department of Transportation (INDOT) as being of 'statewide importance' to the Indiana air transportation system and are therefore included in the Indiana State Aviation System Plan (ISASP). Of these 69 airports, 67 are identified by the FAA as being of significant importance to the National Air Transportation System and are included in the FAA's National Plan of Integrated Airport Systems (NPIAS).

Indiana funds airport development through the INDOT Airport Development Fund program. The program focuses on the 69 ISASP public-use airports and pursues a program that fosters airport development, with special emphasis on improvement of airports as an economic development tool.

The five types of funding sources for projects, when funding is available, are as follows<sup>2</sup>:

**Type 1 – Federal:** This funding resource is available for all NPIAS airports, and the level of funding varies by the type of airport (primary, reliever, commercial service, or general aviation airports). Federal grants historically provide for up to 95 percent of a project's cost. Federal programs include federal discretionary funds and federal primary entitlement and non-primary entitlement funds<sup>3</sup>.

**Type 2 – State/Local:** While federal funding sources provide for 95 percent of a project's cost, the remaining five percent must be borne by the state and/or local sponsor. Historically, the state and local sponsors equally split the five percent; however, recent activity at the state level indicates a decreased level of state support, temporarily reducing the state match to 1.25 percent, which will require a higher local allotment.

**Type 3 – State Apportionment:** State apportionment is a source of funding provided by the FAA for each state for use on airport development projects at non-primary commercial service, general aviation, and reliever airports. The INDOT Office of Aviation identifies projects for the use of these funds with the approval of the FAA. The amount of annual funding is based on each state's land area and population.

**Type 4 – State/Local Match:** In addition to matching federal funds, state/local match is another authorized funding program, but it has not received state general fund appropriations since 2000. Although the INDOT Office of Aviation is not currently soliciting applications for this funding source, Indiana airports were asked to identify

potential projects that could be eligible in the future under this program in their five-year Capital Improvement Plan (CIP) update. In the past, the state provided 50 percent of the funding for this program, with the other 50 percent provided by the local sponsor.

**Type 5 – Aviation Loan Fund Projects:** This is another state funding source for Indiana airports; however, the INDOT Office of Aviation is not currently soliciting requests for projects under this program.

## Conditions

- Pilots and business users surveyed during development of the latest ISASP on the condition and adequacy of Indiana's airports responded with an overall good rating.<sup>4</sup> Those surveyed were asked to base their responses on perception of Indiana's airports having sufficient runway length; sufficient taxiway and/or apron availability; and sufficient pavement conditions, including runway, taxiway, and apron pavements.
- There are only a few geographic regions in Indiana with significant amounts of land area that are not within a 20-mile radius of an existing ISASP facility or 30-minute drive time.<sup>4</sup>
- Indiana airports currently generate almost \$5.3 billion in economic activity and support more than 17,000 jobs, which produce more than \$640 million in wages.<sup>7</sup>
- The Aviation Association of Indiana (AAI) estimates the state collects a minimum of \$10 million in sales tax revenues from aviation, including sales tax of aircraft, fuel, and rentals.<sup>7</sup>
- Aviation is the only mode of transportation under INDOT that does not have a dedicated funding source.<sup>7</sup> Today, INDOT only funds projects that receive federal funding; therefore, the state's aviation needs that are not seen as a priority by the FAA are not addressed.<sup>7</sup>
- Currently, Indiana invests slightly more than \$1 million per year to match the FAA program, or \$15,000 per airport per year. The national average is \$90,000 per airport per year.<sup>7</sup>
- The current property tax bill revisions and caps will cause local municipalities, who continue to struggle with a 2.5 percent match, to continue to struggle with an increased match of a federal grant at 3.75 percent for 2010 and 2011. It is anticipated that a number of general aviation projects will likely be postponed or not undertaken until local or state funding can be secured. Further conditions reveal revenue may be lost and job sustainability and growth may be limited.<sup>6</sup>
- Indiana airports, specifically general aviation airfields, supported by local municipalities are facing significant cuts in funding due to the proposed property tax bill revisions and the current economic climate. As a result, lower priority efforts, such as routine maintenance projects, are being cut from annual budgets to afford higher priority improvements.

- As the FAA continues to decrease its inventory of FAA-maintained navigational aid facilities, such as instrument landing systems and precision approach path indicators, airports are faced with either self-maintenance or relying on new technologies to provide similar precision and visibility minimums without the expense of towers and electronics. This is mostly provided in aircraft electronic upgrades over the years, which rely primarily on the global positioning system (GPS) platform.
- Obstructions, such as trees, cell towers, power poles, buildings, and detention/retention ponds, constructed near airports on land not owned by airports, continue to cause safety issues for airports.
- Airports will face many unfunded mandates, such as Safety Management System adoption, development of Wildlife Control Plans, and new requirements to capture 20 percent of deicing fluids. Since no funding source exists outside of each individual airport for these mandates, each airport will need to find a way to pay for them.

## Future Needs

According to the 2009-2013 NPIAS, Indiana currently has four primary, seven reliever, and 56 general aviation airports. Each airport maintains a CIP that identifies and prioritizes airfield improvement/development projects over a five-year span and is updated annually. The CIP provides the basis for determining the annual Airport Improvement Program (AIP) grants to fund these improvements. Indiana has identified the following funding needs for the next five years:

AIRPORT TYPE	DEVELOPMENT NEEDS
Primary	\$115,175,020
Reliever	\$57,767,964
General Aviation	\$454,654,307
<b>Total</b>	<b>\$627,597,291</b>

With the needs established, the FAA (partnered with the INDOT Office of Aviation) programs funding for improvements identified in the CIP based on priority and ranking. Federal (FAA), state (INDOT), and local stakeholders provide the funding components for a typical AIP project. The FAA funds 95 percent of all AIP grants, leaving the remaining five percent to be split among the state and local constituents. In the past, the split was equal between state and local, with each party responsible for 2.5 percent. For 2010 and 2011, shortfalls in the state budget have reduced the state's ability to participate by 1.25 percent, increasing the local participation to 3.75 percent. For Indianapolis International Airport, the Indianapolis Airport Authority does not participate with the State for Local share, and its share is modified from 5 percent to

25 percent and 20 percent for noise abatement grants due to the level of PFC funding received by the Authority on an annual basis.

Over the next five years, the following funding levels are forecasted as follows:

FUNDING TYPE	FORECASTED FUNDING
Primary Entitlement	\$71,740,742*
Passenger Facility Charge (PFC) - Primary Airports Only	\$105,382,625*
Non-Primary Entitlement (Includes Reliever and General Aviation)	\$45,750,000
State Appointment	\$20,862,020
<b>Total</b>	<b>\$243,735,387</b>

\* Primary Entitlement Funds and PFC funds are based on enplanements and cargo activities at each primary airport. These values are fluid and adjust each fiscal year.

In an effort to overcome the shortfall, INDOT and local stakeholders continually work to position themselves for annual discretionary funds and establish annual goals for discretionary funds. In fact, for fiscal years 2008 and 2009, INDOT was not only able to meet its discretionary goal but it also provided additional funding to eligible projects that would have otherwise gone unfunded. Below is a summary of discretionary funding goals established by INDOT for 2009-2013:

DISCRETIONARY TYPE	GOAL
Primary	\$128,929,000
Non Primary (Includes Reliever and General Aviation)	\$94,000,000
<b>Total</b>	<b>\$222,929,000</b>

Discretionary funds are not guaranteed and therefore cannot be considered when evaluating funding need versus funding provided. From the data listed above, Indiana will be facing a nearly **\$384,000,000** shortfall over the next five years.

## Conclusion

Indiana's network of airports provides economic opportunity for both large and small communities. The total economic benefit to Indiana from airports is estimated to be \$3.2 billion, with expenditure turnover in the communities of an additional \$1.4 billion, totaling \$4.6 billion per year.<sup>5</sup> In addition, transportation cost savings generated \$600 million in savings, for a total induced impact of nearly \$5.3 billion. Induced impacts are the impacts from the subsequent rounds of spending and respending in the community, which begin with spending by the airport and airport tenants, otherwise known as the "multiplier effect." This impact could also include the spending and respending made by passengers; however, to maintain a more conservative formula, only those expenditures

actually made on the airport (direct impacts) have been included to calculate the total induced impact of \$5.3 billion. These airports are serving as a key infrastructure resource and critical means for future economic development.

Airports in Indiana are facing enormous new burdens with increasing needs for capital improvements and higher levels of maintenance requirements due to infrastructure decay. With reduced funding sources and more competition for discretionary funding sources, Indiana's airport leaders will need to turn to new funding techniques if they are to continue to provide an efficient and effective means of air travel.

## Recommendations

- Develop an annual fund dedicated to aviation in Indiana by capturing state sales tax of aviation goods and services. AAI is currently lobbying for a \$5 million per year fund that would be funded by sales tax on aviation goods and services, such as fuel and aircraft sales. Currently, sales tax from the aviation industry is collected into the state's general fund. The proposed fund would provide the following:
  - The state's 2.5 percent matching contribution of the FAA's AIP. For every one dollar, there is a \$39 matching contribution generated.<sup>7</sup>
  - Fund projects that will increase or accelerate FAA funding. By providing seed dollars, Indiana airports will be better positioned to receive discretionary federal funding. If the project is eligible for federal funding, these seed dollars will be fully reimbursable by the FAA.<sup>7</sup>
  - Make Indiana airports less dependent on property taxes. The FAA priority system ranks revenue-producing projects, such as fuel systems and hangars, as a low priority. By funding these projects, airports will be able to increase aviation-related revenue and decrease their reliance on property taxes.<sup>7</sup>
  - Provide the Indiana Economic Development Corporation (IEDC) with a fund to help make Indiana more competitive. The IEDC will be able to apply for grant funds for aviation-related projects that will attract additional economic activity.<sup>7</sup>
- Increase the Passenger Facility Charge (PFC) cap for primary airports.
- Use balances in the Airport and Airway Trust Fund to fund airport infrastructure and improvement projects.<sup>8</sup>
- Develop alternative funding sources to help local municipalities meet their required local grant match.
- Decrease the shortfall in AIP funding by fostering increases in funding guarantees through reauthorization of the FAA's appropriations.<sup>8</sup>
- Develop general aviation and reliever airfields as viable alternatives to primary airfields for business and recreational aircraft through the FAA's Next Generation Air Transportation System (NextGen) program to improve air traffic control operations, maximize airport usage, and reduce flight delays.<sup>8</sup>
- Develop an airfield maintenance funding program for general aviation airfields to assist local municipalities to prolong the service life of their community airport. Lobby FAA officials to revise AIP Grant eligibility to include maintenance projects in CIP.
- If future funding levels and sources continue to diminish, general aviation airports will be faced with closure of their airfield. Certain assurances would have to be met in order for the FAA to approve the closure of any NPIAS airfield, consequently requiring reimbursement for any federal grant not meeting the specified grant assurances (i.e., maintenance of new pavement for 20-year minimum).
- Educate local municipalities and building departments on the importance of enforcing the Tall Structures Act, which includes the safety, welfare, and protection of persons and property in the air and on the ground by regulating the height, location, and visual and aural identification characteristics of certain structures.
- Continue annual maintenance of airfield pavements, lighting and signage, and drainage infrastructure to prolong their service lives.
- Lobby local building officials to increase awareness and enforcement of the Indiana Tall Structures Act.
- Find new funding resources for unfunded mandates beyond only local airport funds.

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