

**ALBERT WHITTED MUNICIPAL AIRPORT
FUNDING OPTIONS
MARCH, 2004**

- I. **FEDERAL FUNDING:** The Federal Government has established the Airport Improvement Program (AIP) to help fund major Capital Improvement Projects (CIP) for airports. Every year, Congress appropriates monies to the Federal Aviation Administration (FAA) for its operational budget and disbursement into many of its programs, including the AIP. The FAA regularly solicits capital funding/planning needs from airports for placement into the Airport Capital Improvement Process (ACIP). The ACIP is the FAA's process for planning future funding levels and provides the basis for the AIP funding requests. Generally speaking, funding levels have increased each year. However, this process is subject to political pressures/trends and available funding is usually limited.

Once given to the FAA, the monies are further appropriated to the various Airport Regional Offices (ARO) and Airport District Offices (ADO). The ADOs then distribute funds to the local airports based upon the project eligibility ranking and funding availability. For Albert Whitted Airport, the ARO is located in Atlanta and the ADO is located in Orlando.

There are two types of AIP funds, Entitlement and Discretionary. Entitlement funds are a set amount of funding that is guaranteed each year for an airport. For general aviation airports such as Albert Whitted, this amounts to \$150,000 per year. Discretionary funds are the residual monies left over after the entitlement funds are obligated. The FAA has the "discretion" to obligate these monies to those airport projects it sees as the top priority.

There are conditions and limitations when accepting AIP funding.

- 1.) Funding Apportionment: The FAA will only fund 95% of an airport's CIP. This means the Airport owner or "Sponsor" must come up with the remaining 5%. In some states such as Florida, the state may fund a portion of the Sponsor's 5% share.
- 2.) Grant Assurances: There are grant assurances that the Sponsor must comply with when accepting the funding. Currently, there are 36 different assurances. These include everything from environmental and civil rights requirements, to land use commitments.
- 3.) Project Eligibility: There are limitations on what type of projects an airport can use the Federal funds for. Currently, project eligibility is mainly restricted to airfield improvements (runways, taxiways, NAVAIDS, etc.) or airport planning (master plans, environmental assessments for runway extensions, etc.). Projects such as buildings and hangars are currently ineligible.

- 4.) Funding Competition: With limited funding resources, there is no guarantee that Federal funding will be available for each airport's CIP projects. In most cases, particularly for general aviation airports, entitlement dollars do not cover most major CIP costs. Airports must compete for limited discretionary dollars.

While the AIP is the main, Federal funding source for airports, there may be funding opportunities through other Federal Agencies. Eligibility would be based on factors such as the airport's geographic location, unique features of the property and the specific terms of the federal funding source. For example, the sponsor may have buildings that have historic significance that may be eligible for Federal funding for restoration and preservation.

- II. **STATE FUNDING**: The State of Florida (State) provides funding for airports through the State Aviation Grant Program. The aviation industry is a major contributor to this program through Florida's aviation fuel tax. The State's funding program will provide a 50/50 match with the Sponsor when the particular CIP is using Federal funds. If the Sponsor's project is not eligible for Federal funding, the state can provide up to 80% of the funding. Eligibility requirements of CIPs with State grants is much more broad than Federal requirements. Projects such as terminal buildings and hangars are eligible under State grants. As with the Federal AIP process, the Sponsor must meet certain grant assurances when accepting state funding. Likewise, the State program is subject to the same political pressures and limited funds as is associated with the Federal process.
- III. **LOCAL FUNDING**: As specified with the Federal and State funding requirements, the Sponsor must provide matching funding in order to use these funding sources. As well, a Sponsor may have to look for ways to fund a major CIP without Federal/State funding assistance.

As part of the City of St. Petersburg, the Albert Whitted Airport has funding options available to it through the local municipality.

- 1.) Ad Volarum Taxation: The City can assess an Ad Volarum tax onto the local residents. This process is subject to the local political process and can be quite controversial. However, this is a source of funding that doesn't come with the debt burden or grant assurances associated with other funding sources.
- 2.) Municipal Bonds: The City can issue a municipal bond to fund the project. Traditionally, municipalities are considered low-risk and an excellent source for potential investors. However, the process is still under the scrutiny of the local political process and the City becomes obligated with the increased debt.
- 3.) Re-investment of Revenues: Unlike large commercial airports, general aviation airports have limited revenue sources. Albert Whitted Airport is

currently partially funded through the City's general operating fund and does not generate the revenue to cover its operating costs. As such, Albert Whitted does not generate revenues for re-investment into the facility. The City will continue to explore ways to increase revenue sources, however it is highly unlikely that revenue could ever be increased to such a level as to cover operating expenses and have enough to fund major CIPs.

- IV. PRIVATE INVESTMENT: Certain types of airport development, namely hangar space, retail buildings and other type structures may use private investment as a funding source. The private investor will put all the CIP costs into the development and construction. In turn, the Sponsor will usually need to provide a guaranteed multi-year lease as well as a reduced land rent to amortize the construction costs. Usually, the buildings will revert to the ownership of the Sponsor at the end of the lease term.

- V. CONGRESSIONAL APPROPRIATIONS: Congressional support for airport CIPs can be an assured way of receiving Federal Funding. As discretionary AIP funding is disbursed based upon the FAA perceived priority for the airport system, a congressional line item can override this process. This mandate can obligate the FAA funds for a particular project even if that project is not high on the FAA priority list.