Chapter 5: ISASP Funding

5.0 Introduction

This Chapter of the system plan evaluates the impact of funding on the growth of the Indiana State Aviation System. As previously noted, the Indiana aviation system is well developed, with a significant amount of infrastructure already in place that has been built over several decades to meet user demand. Millions of dollars are needed each year to maintain this existing infrastructure, as well as to plan and build additional infrastructure that is required to maintain economic viability. This Chapter examines the sources of this funding, and evaluates the anticipated level of need against the predicted available funding to determine where gaps exist. At the conclusion, recommendations are provided on how to move forward over the next 20 years despite the expected gaps in funding.

5.1 Funding Sources

The majority of funding for airport projects comes from the Federal Aviation Administration (FAA). Federal funds are supplemented by funding from the Indiana Department of Transportation (INDOT), when available, and the local municipality that owns an airport. The following sections provide a detailed explanation of the typical funding sources at the federal, state, and local levels.

5.1.1 Federal Funding

Federal funding for airports typically comes from the Airport Improvement Program (AIP), which is funded from the Airport and Airway Trust Fund. The most common type of AIP funds are entitlement and discretionary funds. To be eligible for any of these funds, an airport must be recognized as part of the National Plan of Integrated Airport Systems (NPIAS). Entitlements are based upon the type of operations that an airport supports; airports that have at least 10,000 enplanements annually receive $1 million in entitlements per year called primary entitlements. Airports that do not meet this criteria are given $150,000 per year, which are called non-primary entitlements. States get an entitlement known as State Apportionment based on their population and land mass. Discretionary funding can be obtained in addition to entitlement money for airports that have a demonstrated need for it. The amount of discretionary funding varies year to year and the awarding of these funds is decided by the FAA with input from INDOT.

AIP grants historically have covered 90-95% of an eligible project's cost. The most recent federal funding authorization covers 90% of a project. While INDOT had historically covered 50% of the remaining share, the funding ratio has been as low as 1.25%. It is currently set at approximately 2.5%, with the remaining share of the project coming from the locals. It should be noted that projects at Indianapolis International Airport (IND) do not receive funding from the state, so their local share remains 10% of a project's cost for most of their federally funded projects.

5.1.2 State Funding

Indiana has three aviation funding mechanisms administered through INDOT, Office of Aviation: the Indiana State Matching Funds, the Indiana State/Local Program, and the Airport Revolving Loan Fund. An airport is eligible for funds under these programs if it is in the ISASP and it has established a Board of Aviation Commissioners under Indiana Code (IC) 8-22-2 or an Airport Authority under IC 8-22-3 or is a public airport established under 20-12-50 (Purdue University Airport) or is eligible for an exemption under 6.1-10-15 (Taxation, Airports).

Indiana State Matching Funds – Under IC 8-21-11, with the exception of Indianapolis International Airport, Indiana has provided a matching share of the AIP eligible project costs, as described above, for ISASP airports typically ranging from 1.25 to 5%.

Indiana State/Local Program – Also under IC 8-21-11, this fund is provided for airport development projects for which federal grants are not available. This program is a 50/50 match between the state and local airport sponsor. Projects included in this program are typically those not eligible for federal funding or are considered a low priority for federal funding. INDOT has developed a priority system for the distribution of State-Local grants focusing on those projects that typically do not receive AIP funds. There has been no appropriation for this fund since 2003

Indiana Airport Revolving Loan Fund – Additionally, under IC 8-21-11, this fund is intended to provide funds for projects at airports that could be repaid by the revenues generated by the project. This program has yet to have funds available in the State budget for its implementation.

5.1.3 Local Funding

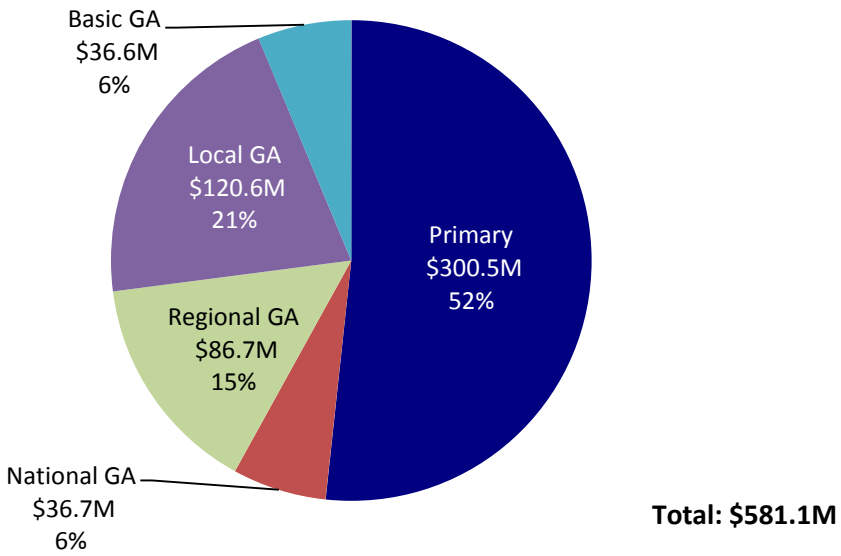
Local funding can come from many sources, but the most common source is the general fund of the municipality which owns an airport. The second most common source of funding comes from airport generated revenues such as hangar rental fees, fuel flowage fees, and others. If additional funding is

needed to meet the local match, a municipality may utilize bonding or Tax Increment Financing (TIF) to raise the money needed. Fortunately, the local share of a project's cost is minimal when compared to the federal share. However, with the state's portion at less than 50% of the match required, airports have had to find more local money to complete projects.

5.2 Historical Spending

The funding given to airports in the Indiana Aviation System over the past eight years totals approximately $581.1M, which is about $72.6M per year. As shown in **Figure 5-1**, over half of this funding was given to projects at airports that support commercial service operations (Indianapolis International, Fort Wayne International, Evansville Regional, South Bend, and Gary/Chicago International). The remaining funding was given to general aviation airports now classified as National, Regional, Local or Basic GA.

Figure 5-1 – Historical Airport Project Spending (2003-2010)



Source: INDOT Office of Aviation
*Note: These figures include total project costs which are inclusive of federal, state, and local funding at the 95%/2.5%/2.5% ratio with the exception of projects at IND which did not receive a 2.5% share from the state.

The breakdown of how much money was granted historically by project type is not available due to the practice of including multiple types of projects in a single grant. These projects cover a broad range of infrastructure from pavement, to planning, to terminal building. There are a few notable projects that were completed during this period. One includes the completion of the new midfield terminal at the Indianapolis International Airport (IND) in 2008, shown in **Figure 5-2**. Over $220 million over the past eight years was spent at IND alone, which is nearly 40% of the total amount spent at all airports combined.

Figure 5-2 – New Midfield Terminal at Indianapolis International Airport

5.3 Requested Funding

As previously noted, airports that are members of the National Plan of Integrated Airport System (NPIAS) are eligible to receive funding from the FAA. Of the 69 airports in Indiana's Aviation System, 66 are members of the NPIAS and therefore are eligible for federal funding. In order to receive this funding, airports must complete a Capital Improvement Plan (CIP) and update it each year to reflect the projects they wish to complete at their site over the next five-year period. The CIP helps airport management, INDOT Aviation, and the FAA manage funding so that priority projects can be completed.

Sample Historical Projects

Portland Municipal Airport
Fuel System

Griffith Municipal Airport
Parallel Taxiway Construction

Unfortunately, funding from all three sources (federal, state, and local) is limited and most often cannot satisfy all the needs and requests of every airport. In order to plan long-term for the funding that will be needed over the next 20 years, the CIP from each of Indiana's system airports was reviewed and projects were categorized by type. The results of this analysis are presented in **Figure 5-3**. It is important to note that these figures are only for a five-year period; therefore the actual anticipated funding needed over a 20-year planning period is a greater value than that shown.

The projects and associated costs presented in **Figure 5-3** were taken directly from each airport's CIP, and may not reflect the needed improvements which were identified in Chapter 4 of the system plan through the inventory and system evaluation. Therefore, the actual funding needed for Indiana's airports over the next five years is likely much higher than what is presented in **Figure 5-3** to account for the additional improvement projects that are needed per the ISASP recommendations.

Sample Historical Projects

PPO Apron

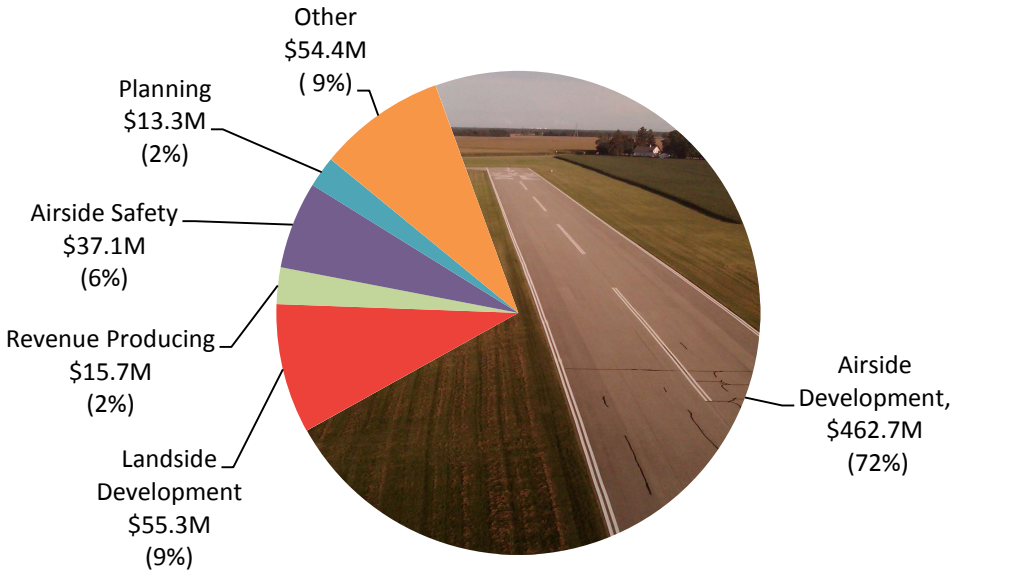
0I2 Runway Overlay

OKK Apron

GEZ Apron

I42 Hangars

Figure 5-3 – Five Year AIP Requested Funding



Total: $638.4M

Source: INDOT Office of Aviation

5.4 Estimated Federal Funding

General calculations show a significant gap in the amount of funding that is available from the FAA and the amount of funding requested for the system as a whole. For example, if each of the five primary airports get $1M per year in primary entitlements (for their 10,000+ annual enplanements), and the other 62 NPIAS airports receive $150,000 in non-primary entitlements, the system will receive a total of $14.3M in federal funds per year (shown in **Table 5-1**).

Table 5-1 – Annual Anticipated AIP Funding

Airport Type	Number of Airports	Annual Funding	Total
Primary	5	$1M	$5M
General Aviation	62	$150,000	$9.3M
		Total	**$14.3M**

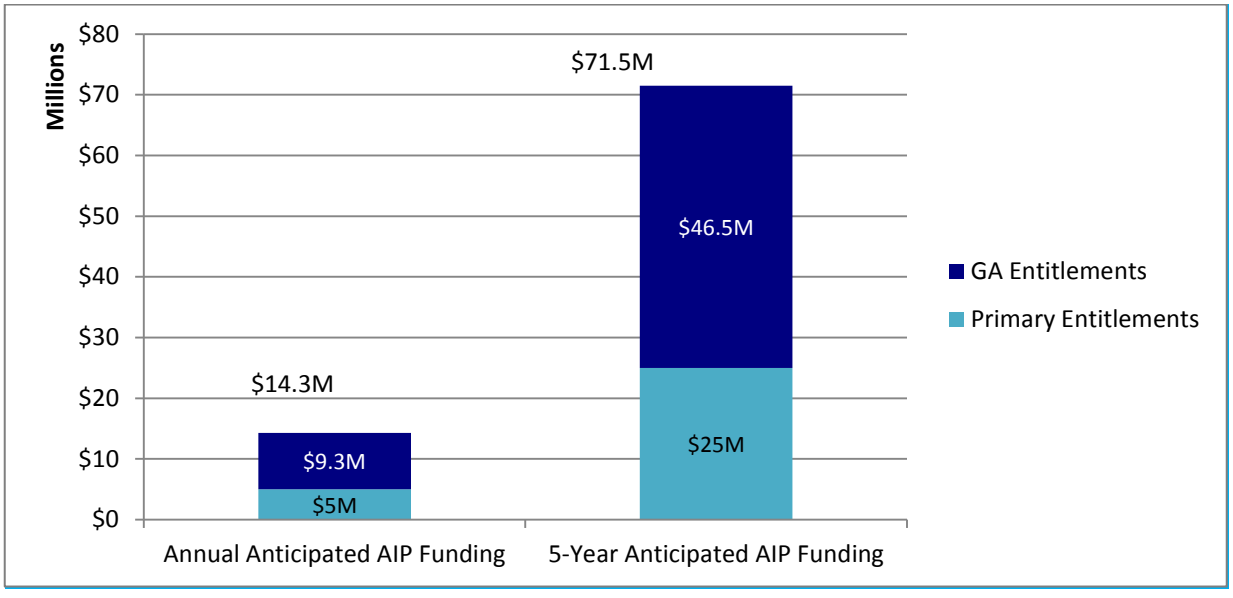
With an annual average of $127.6M requested per year (noted in Section 5.3), that leaves a gap of $113.3M that must be acquired through discretionary funding, state funding, and/or local funding each year (shown in **Table 5-2**), otherwise needed infrastructure will be unmaintained, deficient, or missing.

Table 5-2 – Annual Anticipated AIP Funding and Requested Funding

Funding	Amount
Annual Anticipated AIP Funding	$14.3M
Annual Requested Funding	$127.6M
Difference	**$113.3M**

Many of the airport projects that are planned over the next five years will secure additional FAA funds to help close the gap between the entitlement money from the FAA and the total costs of the individual projects. This usually comes in the form of State Apportionment or Discretionary funding. However, if additional funding is not secured and airports have to rely solely on their AIP entitlement funding, the five-year anticipated funding levels from Primary and GA entitlements reach $71.5M (see **Table 5-3**), compared to the five-year requested funding of $638.4M.

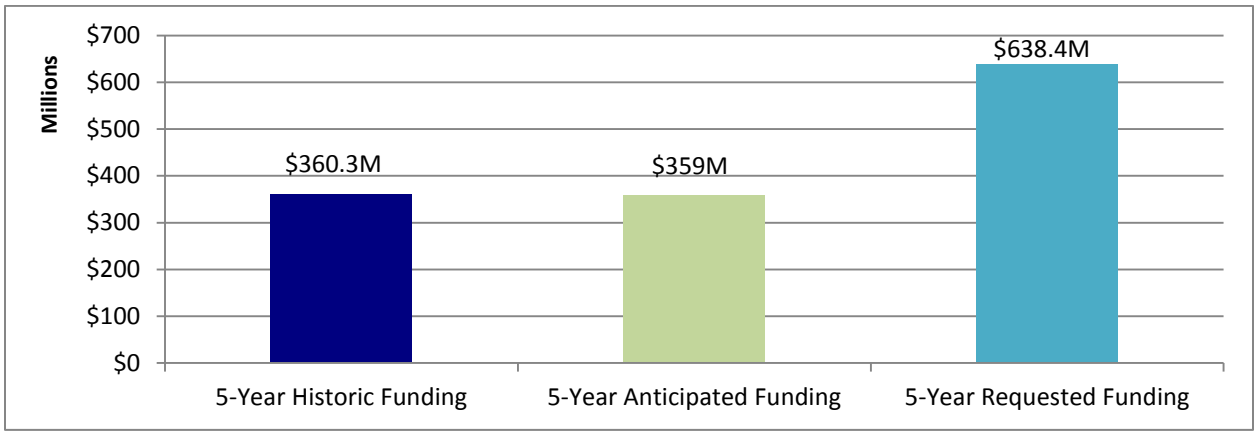
Table 5-3 – Annual and Five-Year Anticipated AIP Funding



In total, the five-year anticipated funding using all of the various FAA funding that has historically been available is approximately $359M, compared to the requested funding of $638.4M. **Table 5-4** illustrates

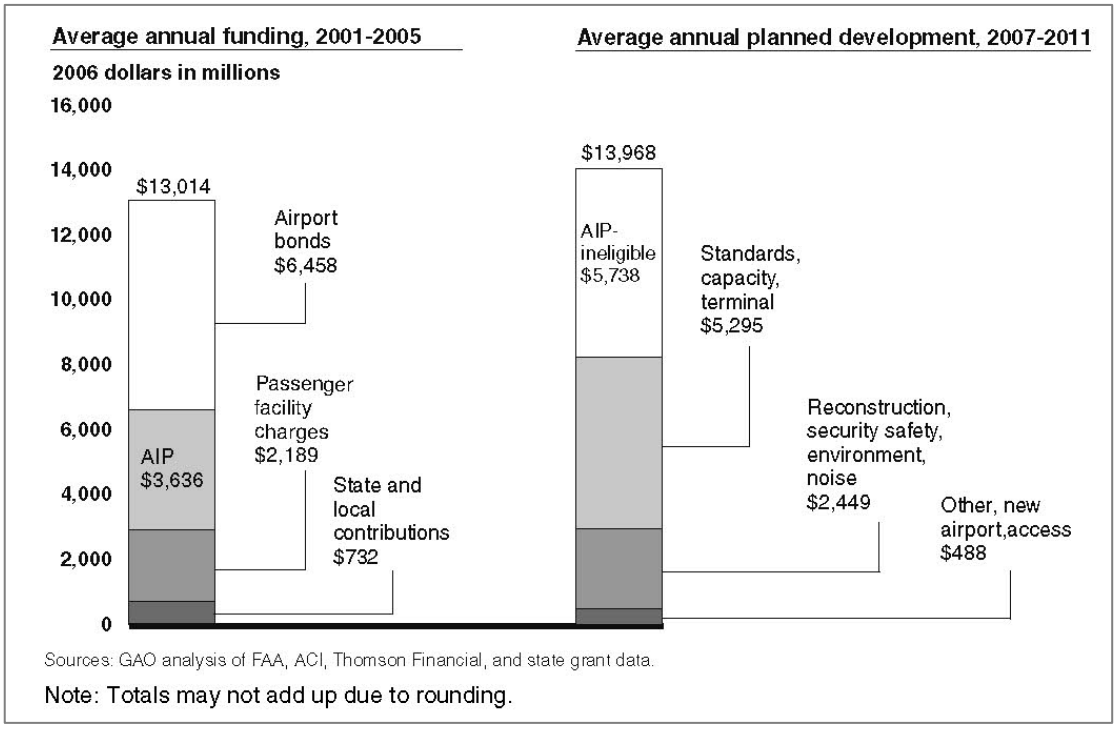
the historic, anticipated, and requested funding amounts for the previous five years and future five years, as well as the gap that exists between them. Although $359M is much closer to the requested amount of $638 million, a gap of $279.4 million still exists, based upon the projections of funding levels.

Table 5-4 – Five-Year Historic and Anticipated Funding



The gap in funding that is evident for airports in Indiana is not uncommon. Nationally, airports are planning development that exceeds the funding available by approximately $1 billion annually. In 2007, the United States Government Accountability Office (GAO) published a report titled *Observations on Planned Airport Development Costs and Funding Levels and the Administration's Proposed Changes in the Airport Improvement Program*. This report summarizes historical funding given to airports nationwide, and compares those figures with the cost of proposed development at airports in the national system over a five-year period. **Figure 5-4** illustrates the average annual funding for airports (both commercial service and GA airports) between 2001 and 2005 (including the source of funding) along with the average annual planned development from 2007 to 2011 (broken down by project type). This clearly illustrates the fact that projects often go unfunded nationally.

Figure 5-4 – National Comparison of Past Airport Funding to Future Development Costs



5.4 Value of Projects

Airport development projects bring both qualitative and quantitative value to local communities and airport users that can often offset the cost of their initial construction. In qualitative terms, projects that help maintain and/or improve facilities or services can modernize an airport for users and the community. Often, the airport serves as the front door to the community, and a visitor's first impression of the city or town they are visiting is created the moment they step off an airplane. Modern, user-friendly airports create a good first impression and help attract potential users and businesses to a community.

Qualitative Value – Before and After

Michigan City Municipal

Goshen Municipal Airport

Freeman Municipal

Greenwood Municipal Airport

French Lick Municipal

In quantitative terms, airport projects can boost the amount of revenue that an airport generates and cycles back into the local community, by supporting local jobs either on a temporary basis (such as construction related jobs) or on an extended basis (such as additional airport staff needed to handle an increase in capacity). Airport related construction projects often use materials which are manufactured in the state. Additionally, visitors to a community spend money at restaurants, hotels, etc., that also cycles through a community, economically impacting the area. Each year millions of dollars are spent statewide on airport development projects to keep the aviation system in working condition to serve its users. Whether measured qualitatively or quantitatively, the value of an airport project extends well beyond airport property lines.

5.4.1 Economic Impact Study

For a look at the complete economic impact study, visit the INDOT Aviation division website at http://www.aviation.indot.in.gov

Conexus Indiana, INDOT, and the Aviation Association of Indiana (AAI) undertook an economic impact study (EIS) to determine the value of aviation in the state of Indiana. This EIS was completed in 2012 using the Impact Analysis for Planning (IMPLAN) model that calculates impact using survey data (gathered from airports and their users) and regional economic factors.

The EIS concluded that the total economic impact of aviation in Indiana supported over 69,000 jobs with a total payroll of over $4 billion, and economic output of over $14 billion. These figures include on-airport impacts, the impact from airport users, and the multiplier impact. While the impact varies from airport to airport (depending on the type and number of operations, etc.), each airport in the system contributes to Indiana's economy as a whole.

These figures demonstrate that the investment of approximately $72M per year (historically) in airport-related projects keeps a system going that provides a return on investment.

Two samples of projects that have recently been completed that provide both qualitative and quantitative benefits are the fuel system at Portland Municipal Airport and the parallel taxiway at Griffith Municipal Airport. Each has resulted in an increase in revenue for each of the airports and contributed to the overall economic role of aviation in the community.

Portland Municipal Airport Fuel System

The location of the previous 100LL and Jet A fuel facilities at the airport prohibited the airport from maximizing efficiency and utility of its apron and posed a risk to safety by requiring delivery fuel truck drivers to operate near aircraft, pilots, and passengers. The recently completed fuel system project reduces this risk and improves utility of the parking apron by locating both fuel systems in one location.

The total annual fuel revenues for both Jet A and 100LL are projected to be nearly $80,000 based upon historic sales. Prior to this project, the Airport did not receive any fuel revenue per the previous operating agreement with the FBO. This revenue stream will help the airport to be substantially more self-sufficient. While a portion of the revenue is offset by the annual operating costs of the new combined fuel system, the net profit is still a new source of income.

Griffith Municipal Airport Parallel Taxiway

A parallel taxiway was recently constructed at the Griffith-Merrillville Airport, which has increased the capacity that the airport can support. One partnership in particular fueled the need for this project. A flight training contract between the China Eastern Airlines, LTD. and Griffith Aviation allows up to 88 international students at a time to be trained at the Airport. Griffith Aviation, a booming international flight training operation, came under contract with the China Eastern Airlines in 2008, when an average of only 32 Chinese pilots were trained each year. This successful partnership has not only increased Airport revenue, but also boosted the local economy through the recycling of additional money spent in the community.

"The company has succeeded at a time when others have failed and has revved the local economic engine." Source: Griffith Aviation trains students from China to be pilots, www.nwitimes.com/ business/ local/article_082c2e46-b005-5854-a466-db7e02c1414b.html, 11-28-2010

5.5 Summary

Although airports provide an annual impact of $14.1 billion to the Hoosier state while also creating or sustaining 69,000 jobs, capital development projects for airports remain underfunded. While the majority of funding for airport projects within the state comes from grants from the FAA AIP program, there is still a significant amount of unmet aviation infrastructure needs among the ISASP airports. Similar to the critical role an exit ramp off a nearby highway serves, each community's airport serves as their access point to and from the national air transportation system. The preservation and advancement of these airports so they can continue to meet aviation demand is an expensive endeavor. Funding needs for runways, taxiways, terminal buildings, and hangars far outpace available capital. New planning and environmental requirements are another drain on already limited funds.