

# MDT Aeronautics Division

## Airport Loan and Grant Program Summary

### Overview

The MDT Aeronautics Division loan and grant program provides grants and low interest loans to eligible airports and aviation facilities throughout Montana. Any airport or facility that is publicly owned and is public-use is eligible to apply for loans and grants. Loan and grant applications can be submitted for any airport or aviation related improvement project. Loan and grant applications can be submitted retroactively as well, meaning if a project has already been started or completed, the airport can still apply for monies after the fact. Projects that are typical of airport improvements usually include pavement maintenance / rehabilitation and/or construction, lighting, communications and/or other infrastructure, terminal or pilot lounge construction, fuel systems and many other items.

### Grants

Aeronautics Division grants are eligible to provide funding for up to 100% of the airport's share of federally funded (NPIAS) airport project costs of non-federally funded projects. Aeronautics Division grants are primarily funded by a 4.5¢/gal tax on general aviation fuel. Due to fluctuations in taxes collected, the amount that Aeronautics has to disperse each year for loans and grants varies.

### Loans (low-Interest)

Aeronautics Division loans can be used to fund up to 100% of the airport's share of any airport project. Aeronautics Division loans are low-interest, with the rate set at ½ of the national prime lending rate as reported by the Montana board of investments as of the first Monday in January of the calendar year. Division loans are repaid in equal annual installments over a ten-year period. Loans can be paid in full at any time without incurring additional interest or penalty charges.

### Application Submission, Review and Approval or Rejection

The Aeronautics Division has notified every airport manager of the availability of the online application system. To qualify, an airport must submit a completed application to the Aeronautics Division no later than November 15. Applications may be mailed, hand delivered or submitted online at the Department of Transportation's web site. Applications may be completed and submitted to the Aeronautics Division by any airport engineer, consultant, construction company representative or any other representative on behalf of an airport sponsor with the airport's permission. After receiving all of the applications, they are reviewed, sorted, packaged and mailed to the Aeronautics Board for review, usually in the second half of December. Each Board member will then have at least 3 weeks to privately review the applications. During a specific public Montana Aeronautics Board loan and grant meeting, usually held in January, the Aeronautics Board will meet and discuss loan and grant applications. It is common, and encouraged, for applicants or their representatives to attend this meeting and sometimes answer questions concerning the applications, however, applicant participation in the meeting is not required. During this meeting, the Aeronautics Board will vote and decide which projects will be offered funding, what type (loan or grant), and how much. Generally, all decisions regarding loan and grant funding will be completed at this meeting. After the decisions are made, the Aeronautics Division will notify applicants of their award status. Although the Department of Transportation may provide additional information or recommendations to the Aeronautics Board regarding the applications, ***please remember all decisions for funding of Aeronautics loans and grants are left solely to the discretion of the Montana Aeronautics Board.***

## **Federal Versus Non-Federal Projects**

One of the reasons for the high demand for Aeronautics Division loans and grants is because of FAA funded Airport Improvement Program (AIP) projects. The Montana FAA district office is allocated large sums of money each year for general aviation airport projects in the state (called "AIP" money). This federal money can be used by eligible airports under very specific and strict guidelines for airport projects throughout the state. To be eligible, the airport must be included in the National Plan of Integrated Airports System (NPIAS). To get included in the NPIAS, the airport must meet specific FAA criteria, including number of based aircraft and other criteria. Most average and larger sized general aviation airports in Montana are included in the NPIAS. FAA AIP money can fund up to 90% of an eligible AIP project. The airport must make up the remaining 10% match. Many airports try to use the MDT Aeronautics Division loans and grants for their 10% share to leverage the federal funds. Because of FAA regulations, FAA AIP projects are routinely very large and expensive projects, so even local 10% match amounts required can be significant.

## **Spending the Money**

If an airport has been offered an Aeronautics Division loan and/or grant, the airport will be asked by the Division to return various project and legal documentation in order to receive the money. Currently, this required paperwork includes a copy of the FAA grant acceptance (FAA AIP projects only), a copy of the notice to proceed (non-FAA AIP projects only), a signed loan resolution (loan only) and an attorney certification as to the legality of the application and acceptance (all grants and loans). After all the paperwork has been completed and returned to the Division, the sponsor may receive the money no earlier than the beginning of the appropriate state fiscal year (July 1<sup>st</sup>). All loan and grant offers are good for 1 year only. If the airport does not have the required documentation returned to the Division within approximately 1-year, the offer is withdrawn and the money returned to the loan or grant fund. Sponsors may apply for a 1 year extension for their funding. Requests for extensions must be submitted no later than the third Friday of May of the next calendar year. The extension request will then be approved or denied by the Aeronautics Board at their first meeting after that date, usually held in early June. There is no limit to the number of extension requests allowed. (State fiscal years run from July 1<sup>st</sup> thru June 30<sup>th</sup>).

## **How Airport Projects Are Usually Funded**

### **Federal Aid Projects**

Montana has approximately 124 public use airports. Of these, approximately 56 of them have been designated by the Federal Aviation Administration (FAA) as GA NPIAS (National Plan of Integrated Airport System) airports. If an airport is designated as a NPIAS airport, it is qualified to receive federal funding. The Federal funding of Montana's airports is handled by the Helena FAA Airports District Office, (HLN ADO). This type of federal funding comes from federal tax monies contributed by the US Congress into the Airport Improvement Program, (AIP). Although the entire process of federal funding of Montana's public airports is somewhat complicated, for simplicity's sake, I'll keep it brief. (Note - The largest airports in Montana receive "Primary Entitlement" monies each year in excess of 1 million dollars each. There is also a small amount of federal money that may be received from a national pool call "Discretionary". Neither of these funding sources will be discussed below.)

The Helena FAA ADO receives on average between 8 and 14 million dollars of federal money per year to spend on Montana's NPIAS airports. Some of this money is received as "State Apportionment" (SA) money to be used on any airport and some of it is received as "Non-Primary Entitlement" (NPE) money which is allotted for use at only the airport designated, or can be given or loaned to other airports. In order to receive FAA money, a NPIAS eligible airport fills out a federal grant application for a federally eligible project (one which must meet all federal guidelines) and then submits it to the Helena FAA ADO. If the application is approved and the FAA has adequate SA and/or NPE funding, the FAA will

contribute 90% of the funding for the project, leaving the other 10% for the airport owner to contribute. Most of the loan and grant applications received by the Montana Aeronautics Division are to help offset this 10% cost, or as more commonly stated, to “leverage” the federal funds. These type projects typically occur at paved airports and involve relatively large, high cost, planning and construction work. By rule, any airport which applies to the MDT Aeronautics Division for loan and/or grant money to help “leverage” federal (NPIAS) AIP project money is eligible for an Aeronautics grant and/or loan for up to 100% of their 10% share.

### **Example of Aeronautics loan/grant with an FAA funded project**

Total Project Costs = \$1,000,000  
(FAA 90% portion = \$900,000)  
(Airport 10% portion = \$100,000)

With an Aeronautics Division GRANT, the airport would be eligible to receive up to a \$100,000 grant.

With an Aeronautics Division LOAN, the airport would be eligible to receive up to a \$100,000 loan if no grant funds were awarded.

With an Aeronautics Division GRANT AND LOAN, the airport would be eligible to receive any combination of loan/grant following the rules above.

### **Non-Federal Aid Projects**

Those airports in Montana that do not qualify for FAA money (appx 70 non-NPIAS airports) or any NPIAS airport that is wishing to do a non-FAA eligible project are simply on their own when it comes to funding their airports. Non-NPIAS airports are generally the smaller airports around the state, some are paved and some aren't. Not being eligible for federal money is a double-edged sword because although they do not have access to large amounts of federal dollars, the good news is, they don't have to follow any federal guidelines or regulations and are pretty much free to do what they want with their airport, and in the process, only pay for what is truly needed or wanted. Non-federal projects typically include such items as stabilization for dirt and sod runways, chip seals for pavements and other odd or unusual items not usually found in large FAA projects. All non-federal projects are eligible to receive up to 100% of total project costs in Aeronautics Division grant and/or loan money. Historically, the Montana Aeronautics Board has always been very supportive of “the little guys” and helps these airports when it is prudent.

### **Example of Aeronautics grant/loan without FAA funding**

Total Project = \$100,000  
(No FAA involvement)  
(Airport must pay entire \$100,000)

With an Aeronautics Division GRANT, the airport would be eligible to receive up to \$100,000.

With an Aeronautics Division LOAN, the airport would be eligible to receive up to \$100,000.

With an Aeronautics Division GRANT AND LOAN, the airport would be eligible to receive any combination of loan/grant following the rules above.