

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 intended to provide funding for up to ½ of the airport's share of federally funded (NPIAS) airport project costs, or, up to 100% of the total airport's costs for non-federally funded projects. Aeronautics Division grants are primarily funded by a 2¢/gal tax on general aviation fuel. Although tax collections vary from year to year, the amount that Aeronautics has to disperse each year for grants is usually about \$350,000.

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 set-up to be repaid over a ten year period. Early interest free payoff for the remaining portion of any loan is permitted. The amount that Aeronautics has to disperse each year for loans is usually about \$350,000.

Application Submission, Review and Approval or Rejection

The Aeronautics Division uses an online application system and will provide access codes to the airport sponsor for access to the online application system. The application website will be available beginning July 1 and will go off line November 15. To qualify, an airport must submit a completed application to the Aeronautics Division no later than November 15. At the airport sponsor's discretion, the airport sponsor may provide the airport access code to a representative that may submit an application on behalf of the airport sponsor.

The Aeronautics Division compiles the applications and provides the information to the Aeronautics Board members for review. The Aeronautics Board conducts a public meeting (usually in late January) to discuss the loan and grant applications. Although the Aeronautics Division may provide additional information or recommendations to the Aeronautics Board regarding the applications, all decisions for funding are left solely to the discretion of the Aeronautics Board. 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. The Aeronautics Division will notify the airport sponsor of action taken regarding their application.

Federal versus Non-Federal Projects

The Federal Aviation Administration (FAA) distributes entitlement funds each year via the Airport Improvement Program (AIP). Eligibility to participate in the AIP is achieved by inclusion in the National Plan of Integrated Airports System (NPIAS). Most average and larger sized general aviation airports in Montana are included in the NPIAS (approximately 70 airports out of 126). The AIP money can be used to fund up to 90% of eligible project costs at federally obligated airports. The remaining 10% match funding is the responsibility of the airport. AIP projects are routinely large and expensive, so even the 10% match amounts can be significant. Many airports try to acquire Aeronautics Division loans and grants for a portion of their 10% match which places a high demand on the limited funds available through the program.

Spending the Money

If an airport has been offered an Aeronautics Division loan and/or grant, the airport will be required to provide the Division with documentation prior to receiving the money. Included in the required documentation are 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). The funds are only distributed to the airport between July 1st and June 30th of the state fiscal year for which they were awarded. If the airport does not have the required documentation returned to the Division within the specified timeframe, the offer is withdrawn. 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 within the state fiscal year for which they were awarded. 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 1st thru June 30th).

How Airport Projects Are Usually Funded

Federal Aid Projects

Montana has approximately 126 public use airports. Of these, approximately 70 of them have been designated by the Federal Aviation Administration (FAA) as 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 taxes allocated by Congress into the Airport Improvement Program (AIP).- On average, between 8 and 14 million dollars of federal money per year is available in Montana through the AIP. Airports can receive AIP funding from any of 3 pools. (Note – Each of the seven largest airports in Montana receive “Primary Entitlement” money each year in excess of 1 million dollars. This funding source will not be discussed.)

The first pool is “Discretionary” and airports compete for this funding on a national basis. Discretionary funds are primarily allocated for high priority high dollar projects and, as such, the funding from this pool is relatively small for Montana airports. The FAA has decision making authority for the distribution of this pool of funding. The second pool is

“State Apportionment”. This pool typically distributes about 5 million dollars annually within Montana. State Apportionment is distributed to Montana airports based on project priority and long range planning needs. Similarly to Discretionary funding, the FAA has decision making authority for the distribution of this pool of funding. The third pool is “Non-Primary Entitlement” (NPE). Non-Primary Entitlement money is an entitlement allotted to each NPIAS airport. This pool allocates a maximum amount of \$150,000 per airport per year. However the funds can be traded or gifted to other airports. Unlike Discretionary and State Apportionment, these funds are an entitlement and the airport will receive the money provided all project requirements are met.

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 according to a rigid schedule. If the application is approved and the FAA has adequate funding, the FAA will contribute 90% toward the eligible project cost, leaving 10% for the airport 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. By rule, any airport which applies to the MDT Aeronautics Division for loan and/or grant money to help “leverage” AIP project money is eligible for an Aeronautics grant for up to 50% of their 10% share and/or up to 100% of their 10% share if taken in loan.

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 \$50,000 grant.

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

With an Aeronautics Division GRANT AND LOAN, the airport would be eligible to receive any combination of loan/grant following the rules above up to 100% of their 10% share.

Non-Federal Aid Projects

Those airports in Montana that are non-NPIAS (approximately 56 non-NPIAS airports) or any NPIAS airport that is planning to do non-FAA eligible work are ineligible to receive AIP money. Non-NPIAS airports are generally the smaller airports around the state, some are paved and some are turf. 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 up to 100% of project costs.