



## **AIRCRAFT OWNERS AND PILOTS ASSOCIATION**

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### **FAA Airport Improvement Program (AIP)**

#### **AIP Background**

The Airport Improvement Program (AIP) provides grants to public agencies - and, in some cases, to private airport owners - for the planning and development of public-use airports that are included in the recent National Plan of Integrated Airport Systems (NPIAS).

AIP grants for planning, development, or noise compatibility projects may go to these Federally identified public-use airports, including heliports and seaplane bases. A public-use airport is an airport open to the public for aviation use that is:

- Publicly owned, or
- Privately owned but designated by FAA as a reliever, or
- Privately owned but having scheduled service and at least 2,500 annual enplanements.

For large and medium primary hub airports, the grant covers 75 percent of eligible costs (or 80 percent for noise program implementation). For small primary, reliever, and general aviation (GA) airports, the grant covers 90 percent of eligible costs.

Projects eligible for AIP grants include improvements that enhance or improve airport safety, capacity, and security, or meet environmental concerns. Airport sponsors can use AIP funds on most airfield capital improvements or repairs and in some specific situations, for terminals, hangars, and nonaviation development. Professional services such as planning, surveying, engineering and design that are necessary for eligible projects are also eligible. Projects must be justified by aviation demand at the airport as well as meet Federal environmental and procurement requirements.

Not eligible for AIP funding are projects related to airport operations and revenue-generating improvements. Operational costs are also ineligible for AIP grants.

Airports sponsors who accept AIP grants agree to a number of conditions and obligations called grant assurances. Among many others some of the principal obligations include operate and maintain the airport in a safe and serviceable condition, not grant exclusive rights, mitigate hazards to airspace, and use airport revenue properly. These obligations last twenty years, unless the grant funds are used to purchase land for the airport, or if the airport is on surplussed Federal property. In that case, the obligations are generally perpetual.

The FAA's most recent NPIAS Report to Congress indicates that America's airport infrastructure needs are significant. Over the next five years (2013 to 2017), the FAA estimates that airports will require some \$42.5 billion to meet all AIP-eligible infrastructure development demands. This is a decrease of 19 percent (\$9.8 billion) from the 2011-2015 report and reflects a decrease in estimated needs for all airport categories and all types of airport development except projects to improve airfield capacity, which increased 2.5 percent, mostly at the large hub airports.

This decrease is due to the following factors:

- current economic situation of the communities that own airports
- reduced aviation activity levels
- projects having been completed or having a funding source for the project identified
- a comprehensive FAA review of projects resulting in approximately 3,700 projects being adjusted, deferred or removed.

While this is a decrease from the last NPIAS Report, it is still greater than the authorized level of AIP funding for that period.

Since the end of the World War II, the AIP program and its predecessors have created a system of Federal funding through which designated airports have been supported successfully and effectively as part of the national interest. The AIP grants are supported entirely by users of the aviation system through various taxes, which are deposited into the Airport and Airway Trust Fund. No general fund revenues are appropriated to support AIP. Despite the growing need, AIP funding remained at its current annual level of roughly \$3.5 billion since fiscal year 2005 until it took a slight drop in the new legislation.

#### **FAA Study – *General Aviation Airports: A National Asset***

Recognizing the need to clarify the important role played by GA airports in the national transportation system, the FAA undertook an 18 month study of these vital facilities. Entitled, “General Aviation Airports: A National Asset” ([http://www.faa.gov/airports/planning\\_capacity/ga\\_study/](http://www.faa.gov/airports/planning_capacity/ga_study/)), the report documents the many critical functions of these airports. While GA airports have a documented economic impact on their host communities, the report effectively describes their intrinsic value as local access points to an aviation system that facilitates a wide variety of often critical public health, safety, and security needs.

In the report the FAA notes that, of the 3,330 airports included in the NPIAS, only 378 support scheduled commercial air service. For many other aviation needs, Americans rely on the other 2,952 public-use landing sites for aeromedical flights, aerial fire-fighting, law enforcement, and disaster relief. They also provide the easiest access to hundreds of remote communities across the country.

GA airports are economic engines for the communities they serve. According to the FAA’s report, in 2009 (the last year for which figures are available) general aviation contributed \$38.8 Billion in economic output. Including manufacturing and visitor expenditures, GA accounted for an even larger contribution of \$76.5 billion. At the GA airports alone, nonairline operators spent over \$12 billion, making an estimated 27 million flights for emergency medical services, agricultural functions, time-sensitive air cargo services, fire-fighting, law enforcement and border control, flight training, business travel, and some scheduled services.

For decades, the FAA has included these public-use GA facilities - airports, heliports, and seaplane bases in their system of federally supported airports because of their importance within a national aviation system that meets the needs of a big country with a diverse and scattered population. These airports connect all kinds of communities – rural villages, small cities, and metropolitan suburbs to the larger aviation system without impacting operations at busy commercial airports. This well-developed system of GA airports supports commerce, public safety and health across the country, while also providing network of safe landing places to meet a variety of aviation emergencies, such as mechanical problems, deteriorating weather conditions, onboard medical emergencies or other unforeseen circumstances.

The case for substantial, continued Federal support for these airports is clear - these GA airports assist communities and their residents in meeting their need for quick and effective access through aviation to services that would otherwise be too costly or impossible to provide.

### **Future of Federal Airport Financing**

The recent, long-overdue FAA Reauthorization legislation has not settled the discussion over how the federal aviation program should be funded, and the role of AIP in that program. As the nation's aviation infrastructure continues to be underfunded in terms of the overall need for maintenance and growth, competition for a share of the shrinking AIP program will grow.

The FAA's recent NPIAS Report indicates the largest share of AIP funds go to the large hub airports, accounting for \$15 billion (35 percent) of the \$42.5 billion identified. The 2,563 general aviation and 268 reliever airports, which make up 77 and 8 percent of the airports respectively, account for 23 and 7 percent of the total development included in the report.

Improvements at larger commercial airports are supported by a mix of federal, state, and local funds, as well as revenues from airport imposed charges to passengers. While Congress controls the levels of Federal funds, they also limit local ability to set passenger charges. Some in Washington and in the airport community have argued for allowing commercial airports to increase Passenger Facility Charges (PFC) to provide more funding for projects at their airports. They have argued there is the potential for commercial airports to raise money from capital markets, directly from PFCs, and from PFC backed bonds, but Federal restrictions prohibit them from raising the financing in this manner. Others suggest a greater share of AIP funds should be reprogrammed to these large airports.

A strong rationale exists for continuing the division of AIP funds in a way that recognizes the vital role GA airports play in the best airports system in the world. GA airports foster air transportation and link many communities to our aviation system in ways that cannot be achieved by reliance on a few hundred primary airports. Beyond that, an opportunity exists for Aviation stakeholders to discuss how to best meet the needs of the National Airports System in a way that also supports the clear ability of larger commercial airports to grow and accommodate the need for national and international passenger air service, allowing them maximize their potential as major centers of transportation and economic activity.

***Prepared by the AOPA Airports and State Advocacy Team***