APPENDIX E – AIRPORT FUNDING

Introduction

Airport funding is derived from many sources. This appendix discusses the various sources available to the airport sponsor. Funding sources can be categorized into three main categories:

- Federal funding
- State funding
- Local or Private funding

Federal Funding

Most funding for airport development comes from federal government programs. Currently the most predominant program is the Airport Improvement Program, commonly referred to AIP, managed by the Federal Aviation Administration. This section describes the program, the guidance and procedures for obtaining AIP grants, and the AIP funding history for the Minot International Airport (MOT).

Federal Funding Legislation

The Federal Aviation Administration (FAA) is allowed to issue grants for airport planning and development in the United States under Public Law 49 United States Code (USC) § 47104(a). The FAA normally needs two separate legislative actions in order to be able to issue grants and operate the Airport Improvement Program (AIP) grant program: an authorization and an appropriation.

a. **Authorization.** The authorization legislation has numerous titles but is often referred to as the FAA Reauthorization and may be passed by Congress for varying lengths of time. The authorization sets yearly limits on the AIP funding levels and gives the FAA contract authority to issue grants. The AIP is currently operating under the FAA Modernization and Reform Act of 2012 (Public Law 112-95), and this law has authorized $3,350,000,000 for each of the fiscal years 2012 through 2015 for airport planning and airport development, airport noise compatibility planning and carrying out noise compatibility programs. As of October 2015, AIP has been authorized through March until a new reauthorization program is developed.

b. **Appropriation.** Congress establishes an annual appropriation that allows the FAA to incur obligations and make payments for specific purposes. Although the FAA reauthorization typically establishes an annual authorized funding level for the AIP program, Congress may also use the appropriation law to adjust the authorized AIP funding level for the current year. As of October 2015, AIP has been extended by Congress by order of a Continuing Resolution (CR). The current authorization expired on September 30, 2015.

Airport and Airway Trust Fund (Source of AIP)

It is important to note that AIP funds are not drawn from the government's General Fund, which consists primarily of tax payments from all sources. Instead, revenue for AIP is drawn from the Airport and Airway Trust Fund, commonly referred to as the Trust Fund. The Trust Fund is funded by a variety of revenue sources in the aviation industry, including a domestic ticket tax, a domestic passenger flight segment fee, a departure tax for flights to Hawaii and Alaska, a passenger ticket tax at rural airports, international

departure and arrival taxes, frequent flyer taxes, domestic freight and mail tax, a commercial aviation fuel tax and a general aviation fuel tax.

Categories of AIP Funding

The authorization and appropriation legislation determine the amount of AIP funding available in a given period. Once that amount is established, a complex set of formulas and categories, defined by the FAA authorization law, determines how much funding is available in each airport category. In general, AIP funding is distributed in the following categories:

Passenger Entitlements

These funds are available to airports with scheduled passenger service that enplane more than 10,000 passengers per year. Passenger entitlements are calculated based on the following formula:

- $7.80 for each of the first 50,000 passenger enplanements
- $5.20 for each of the next 50,000 passenger enplanements
- $2.60 for each of the next 400,000 passenger enplanements
- $0.65 for each of the next 500,000 passenger enplanements
- $0.50 for each passenger enplanement greater than 1 million

The annual minimum is $650,000 and the annual maximum is $22 million per airport. By a special provision in the authorization, when $3,200,000,000 or more AIP is appropriated in the fiscal year, each level doubles (i.e., instead of $7.80 for each of the first 50,000, the rate becomes $15.60, etc.), the annual minimum becomes $1 million, and the maximum becomes $26 million per airport.

Cargo Entitlements

Airports receiving cargo shipments may be eligible for cargo entitlements. The amount of entitlements are based on the distribution of 3.5 percent of the total AIP available for grants, divided on a pro-rata basis according to an airport's share of total US landed cargo weight.

Nonprimary Entitlements

By a special provision in the authorization, when $3,200,000,000 or more AIP is appropriated in the fiscal year, airports not receiving passenger entitlements will receive nonprimary entitlements. These entitlements are the lesser of $150,000 or 20 percent of an airport's 5-year development costs listed in the biennial National Plan of Integrated Airport Systems (NPIAS) report to Congress.

State Apportionment

These funds are available for eligible airport development projects within a state. Normally, 18.5 percent of the total AIP funds available for grants is apportioned for airports based on an area/population formula. When the amount of AIP funds available in a fiscal year are $3,200,000,000 or more, 20 percent of the total AIP funds is allocated to nonprimary entitlements with the remaining funds distributed by state based on an area/population formula. These funds are generally limited to commercial service nonprimary and general aviation airports.

Discretionary

These are the remaining appropriated funds after the other types of funds have been established. A portion of the discretionary funds are directed toward specific, or "set-aside," programs, such as noise-related projects, the Military Airport Program or Letter of Intent (LOI) program. Of the remaining discretionary funds, 75 percent are to be used for enhancing capacity, safety, security and noise compatibility planning and programs. The remaining 25 percent, known as pure discretionary funds, may be used for any eligible project at any airport, as determined by the FAA.

As a general rule, pure discretionary funds typically account for less than four percent of the available AIP funds. However, as the program proceeds throughout the fiscal year, some airport sponsors, who have decided not to proceed with an AIP project during the year, will choose to "waive" their entitlements for that year. Those funds are then converted to discretionary funds, creating an additional amount of discretionary funds to be used throughout the country for eligible projects.

Federal Share of Project Funding

Federal AIP funds typically do not cover the entire cost of an airport development project. First, the project costs must be eligible for federal funding under current legislation. Then, the costs must be allowable, i.e., reasonable and justified. Once costs have been determined to be allowable, the federal share of allowable costs is limited to a fixed percentage of the total costs. Although there are some exceptions, the current legislation limits the federal share of allowable AIP costs at 90 percent for most non-hub primary or smaller airports. The remaining 10 percent is considered the local share and is the sponsor's responsibility.

Types of Potential AIP Funding Available for MOT

By law, only public-use airports in the NPIAS are eligible for AIP funding. These airports are classified into various categories based on their usage and level of passenger enplanements, and those categories determine the type of funding eligibility for the airport. See **Appendix D - Airport Classification** for more information. MOT currently meets the definition for the category of a Non-Hub Primary Category airport.

Most AIP-eligible projects would be eligible for discretionary funding. However, as stated earlier, the assignment of discretionary funds is determined by the FAA, and extensive coordination with the FAA is required to determine the availability of discretionary funding for specific projects.

Federal Funding History for MOT

Between 1949 and 2015, MOT has received over $83 million in federal airport development funds under various programs. The following table gives a brief history of the grants for projects at MOT.

Table E-1 - Airport Improvement Program Funding

Year	Project Number	Description of Development	State Funds	Local Funds	Federal Funds	Total Cost
1949	9-32-036-001	Furnish and install rotation beacon.	-	$2,275	$2,275	$4,550
1950	9-32-036-002	Furnish and install obstruction lighting, wind indicating device, and high intensity runway lighting system on the designated NW/SE instrument runway; approach clearance.	-	7,015	18,310	25,326
1952	9-32-036-203	Construct extension of sanitary sewer and water main to west side of airport, including pump pit, pump, and necessary appurtenant work.	-	19,045	19,045	38,090
1953	9-32-036-304	Resurface bituminous paved runways, taxiways and apron.	-	25,605	25,605	51,211
1955	9-32-036-505	Construct apron ('L' shaped approx. 11,100 SY) with connecting taxiway to existing N/S runway, including necessary grading and drainage.	-	34,984	34,984	69,968
1957	9-32-036-5706	Construct terminal building with utilities; relocate field lighting control; install taxiway lights; construct service road and auto parking area, including access drive; fence.	-	77,081	77,081	154,162
1957	9-32-036-5807	Land acquisition, northwest clear zone.	-	21,294	21,294	42,589
1959	9-32-036-5908	Extend terminal area apron (approx. 5,300 SY); construct two taxiways to T-hangar area and one taxiway to fixed-base operations area; pave entrance road and auto parking area; flood light terminal apron; drain.	-	22,657	22,657	45,314
1966	9-32-036-6109	Acquire navigation easement in SE clear zone; construct apron extension (approx. 3,400 SY).	-	14,944	14,944	29,889
1969	9-32-036-6310	Construct apron extension (approx. 3,572 SY); install HIRL E/W runway, including vault modifications; grade; fence.	-	18,026	36,053	54,079
1969	9-32-036-C711	Install HIRL on the NW/SE runway and MITL on the N/S taxiway and connecting taxiway.	-	221,100	221,100	442,200
1969	9-32-036-7012	Overlay and mark non-critical portions of E/W runway (4,139' x 150'); install HIRL on E/W runway.	-	119,751	102,788	$222,539
1974	8-38-0037-01	Acquire land for MALS/RAIL (16.89 acres) and Airport Development (308.81 acres); construct and light (HIRL) Rwy Extension (1,220' x 150'); mark NW/SE runway; grade ILS glide path and localizer sites; fencing.	-	551,882	574,108	1,125,990
1974	8-38-0037-02	Acquire two Index A, FAR Part 139.49(b)(1) ARFF vehicles (500 gal of water and 300 lbs of dry chemical each); construct fire station; install fencing (approx. 1,850 LF); extend apron (approx. 5,555 SY) including relocation of taxiway lights; construct new entrance road and service roads; install street lighting.	-	120,096	331,607	451,703
1979	6-38-0037-03	Install new lighting control and control cable for new control tower; install lighted wind cone.	-	12,403	36,000	48,403
1977	6-38-0037-04	Purchase motor grader for snow removal.	-	4,988	44,900	49,889
1978	6-38-0037-05	Construct, mark, and light parallel NW/SE taxiway (approx. 8,000' x 75'), including crossover taxiway (approx. 270' x 90') and connecting E/W taxiway (approx. 1,600' x 75'); relocated glide slope; modify lighting control vault.	-	365,516	2,136,802	2,502,319
1981	6-38-0037-06	Acquire land for clear zone and approach protection, Rwy 13 (Area C).	-	30,598	275,385	305,983
1982	3-38-0037-01	Acquire land for approach and noise protection (Areas B and D-Z).	-	11,107	99,969	111,077
1983	3-38-0037-02	Acquire land for approach protection (Parcel D-1, approx. 19.4 acres) and clear zone (Lot 46, approx. 0.25 acres); construct SRE storage building (approx. 6,750 SF); install security/perimeter fence (approx. 3,850 LF)	-	36,835	331,519	368,354

Year	Project Number	Description of Development	State Funds	Local Funds	Federal Funds	Total Cost
1984	3-38-0037-03	Place porous friction course seal and mark Rwy 13-31 (approx. 7,493' x 150') and Rwy 8-26 (approx. 5,758' x 150').	-	74,112	667,009	741,121
1986	3-38-0037-04	Purchase SRE (snow blower & sweeper).	-	21,488	193,387	214,875
1986	3-38-0037-05	Construct training room addition to CFR building (approx. 586 SF); reconstruct and overlay GA taxiway parallel to Rwy 8-26 (approx. 50' x 3,400'); overlay GA apron (approx. 5,450 SY).	-	22,203	199,827	222,030
1988	3-38-0037-06	Acquire CFR/SRE/Security vehicle radio system, install twy guidance signs, overlay GA twy parallel to Rwy 8-26 (approx. 50' x 3,800'); acquire SRE (snow plow).	-	37,584	338,264	375,849
1988	3-38-0037-07	Conduct Master Plan Update.	-	4,368	39,312	43,680
1989	3-38-0037-08	Install security fence (approx. 2,800 LF); replace fire proximity suits (12 ea.); reconstruct Twy "B" (approx. 100' x 2,700'); design terminal apron, access road, and terminal building.	-	108,656	478,733	587,389
1990	3-38-0037-09	Construct and light entrance taxiway (approx. 75' x 360') and terminal apron (approx. 17,500 SY), relocate underground utilities, construct terminal building (approx. 31,720 SF), install aircraft loading bridges, construct and light airport access road (approx. 24' x 725', 26' x 810', 50'. x 500')	-	1,952,428	3,337,113	5,289,541
1990	3-38-0037-10	Acquire 1,500 Gallon ARFF Vehicle.	-	32,909	296,181	329,090
1991	3-38-0037-11	Rehabilitate porous friction course and mark Rwys 13-31 and 8-26, acquire ARFF/SRE/Security radios, install and relocate runway intersection signs, reconstruct Twy C (approx. 9,600 SY), construct blast pads (Rwy 13-31), install distance-to-go signs (Rwy 13-31) and relocate/modify signs, construct service road (approx. 20' x 1,368')	-	42,908	386,178	429.087
1992	3-38-0037-12	Acquire 1,500 Gallon ARFF Vehicle.	-	29,658	266,925	296,583
1992	3-38-0037-13	Reconstruct and mark Twy F (approx. 2,000 SY).	-	8,942	38,098	47,040
1992	3-38-0037-14	Replace segmented circle markers, relocate and replace beacon, install airport signs, install computerized access control (FAR 107.13), install security fencing, and update ALP.	23,666	23,983	428,847	476,497
1993	3-38-0037-15	Construct electrical vault, install standby generator, reroute electrical cables and conduits to existing circuits, install airport signs and in-pavement runway lights.	29,082	30,525	536,465	596,072
1993	3-38-0037-16	Reconstruct GA apron – Phase 1 (approx. 8,960 SY) and install storm sewer.	26,195	25,837	468,297	520,330
1994	3-38-0037-17	Acquire SRE (snow blower).	12,903	12,903	232,269	258,077
1994	3-38-0037-18	Environmental Assessment for Rwy 8-26 Extension and Improvements.	-	10,825	97,000	107,825
1995	3-38-0037-19	Reconstruct GA Apron (Phase 2 – approx. 24,100 SY); reconstruct taxilanes (approx. 3,200 SY); improve drainage; and Grade Localizer Area.	63,260	63,260	813,021	939.542
1995	3-38-0037-20	Acquire SRE (runway sweeper) and construct access road to West Terminal Building (approx. 3,600 SY).	23,609	23,609	424,962	472,180
1997	3-38-0037-21	Reconstruct and mark Twy C; and improve drainage.	59,718	106,285	1,074,934	1,240,937
1997	3-38-0037-22	Acquire land in fee and install 8 ft. security fence.	15,885	21,033	285,947	322,866
1998	3-38-0037-23	Upgrade security system and install security fencing.	-	22,569	130,024	152,594
1999	3-38-0037-24	Update Master Plan and Rwy 8-26 design.	-	34,430	234,743	269,173
1999	3-38-0037-25	Rehabilitate Rwy 8-26.	-	293,788	1,754,954	2,048,742
2000	3-38-0037-26	Rwy 13-31 Reconstruction Stage 1 & EA	100,000	361,867	4,176,602	4,638,469

Year	Project Number	Description of Development	State Funds	Local Funds	Federal Funds	Total Cost
2001	3-38-0037-27	Acquire Friction Measuring Equipment; Extend Rwy; Rehabilitate Rwy; Rehabilitate Rwy Lighting	128,000	418,227	4,739,400	5,285,627
2002	3-38-0037-28	Reconstruct & extend RWY 13-31, Extend Twy C, Construct connector taxiways, Relocate NAVAIDs & Signs, Rehabilitate & Install HIRL'S & MIRL'S	110,000	567,251	6,345,003	7,022,254
2002	3-38-0037-29	Construct Remaining Storm Sewer	-	32,304	264,182	296,486
2002	3-38-0037-30	Construct Connector Twy C1 & Portion of Storm Sewer	-	40,619	352,488	393,107
2003	3-38-0037-31	Construct Twy, Apron, & Access Roads to New Hangars, Install Signs & Markers.	27,853	60,267	469,773	557,893
2004	3-38-0037-32	Acquire SRE Equipment.	13,050	55,100	495,908	564,058
2005	3-38-0037-33	Rehabilitate Apron.	41,500	-	948,005	989,505
2007	3-38-0037-34	Rehabilitate Apron.	40,413	-	1,535,710	1,576,123
2007	3-38-0037-35	Acquire SRE Equipment; Rehabilitate Rwy 8-26; Update MP.	24,800	4,175	908,100	937,075
2008	3-38-0037-36	Install Rwy Guard Lights & Enhanced Twy Markings & Improve Terminal Building (Design – Phase 1).	5,613	21,121	213,297	246,031
2009	3-38-0037-37	Acquire SRE (Skid Steer Leader, Standard Bucket, Broom, 2 Snow Blades, Snow Blower, Box Plow, Snow Bucket, and Sand Spreader); Acquire Security Vehicle; Rehabilitate Twy C Lighting (Phase I – Specifications); Upgrade Security System (Phase I – Specifications); and Conduct Environmental Assessment for the Rwy 8-26 Rwy Protection Zone (Phase I)	8,174	9,226	310,624	328,024
2009	3-38-0037-38	Twy Light; Type C Cable; Ground Wire; and Counterpoise Replacement	4,904	4,904	186,349	196,156
2009	3-38-0037-39	Commercial Terminal Upgrade and Renovation	21,826	51,962	686,212	760,000
2010	3-38-0037-40	Reconstruct Twy C (Phase 1 Design)	6,580	6,572	250,048	263,200
2010	3-38-0037-41	Construct SRE Building (Phase 1 Design); Expand ARFF Building (Phase 1 Design); Acquire ARFF Vehicle (Phase 1 Design)	5,260	5,260	199,890	210,411
2011	3-38-0037-42	Upgrade Security Access Control; Acquire ARFF Truck, Expand ARFF Building, Reconstruct Twy C (Approx. 75' x 3,500')	88,700	163,210	4,786,307	5,038,218
2012	3-38-0037-43	Construct Twy D (west of Rwy 13-31); Design for New Passenger Terminal; Rehabilitate Twy C (Reimburse)	482,085	482,085	8,677,526	9,641,696
2012	3-38-0037-44	Construct New Terminal (Phase 1 Relocate SRE Building)	125,000	579,568	3,400,000	4,104,568
2012	3-38-0037-45	Construct Twy D (East of Rwy 13-31)	140,804	140,804	2,534,466	2,816,074
2013	3-38-0037-46	Construct New Commercial Service Passenger Terminal Building Phase 2 (137,768 sf within 2 story building)	18,500,000	13,732,190	8,134,810	40,367,000
2014	3-38-0037-47	Construct Twy D – Phase 3 and Terminal Apron – Phase 1	580,211	580,211	10,443,803	11,604,225
2014	3-38-0037-48	Construct Terminal Building – Phase 5 to Construct Aprons (16,050 SY)	245,854	245,854	4,425,378	4,917,087
2015	3-38-0037-49	Rehab Rwy 13-31	46,007	46,007	828,131	920,145
2015	3-38-0037-50	Update Airport Master Plan Study with ALP and Airport GIS	46,800	46,800	842,409	936,001
2015	3-38-0037-51	Improve Airport Drainage – Phase 1 Design (Rehab and Expansion of Storm Water Detention Ponds A & B in south parcel of airport land)	11,875	11,875	210,150	233,500
Totals			**$21,059.627**	**$22,388,964**	**$83,513,487**	**$125,600,428**

Current AIP Funding Available for MOT

MOT currently receives AIP Primary Airport entitlements averaging about $1.9 million each year. Although that amount is subject to annual Congressional appropriation legislation, it is reasonable to expect continued funding at this level for the duration of the current FAA reauthorization law.

While projects may be eligible for discretionary funding, the availability of discretionary funding cannot be predicted with any degree of certainty. Assignment of discretionary funds to an AIP project depends on a variety of factors, including total funding availability, national priorities and project justification. In 2013 and 2014, MOT received $19.5 million in discretionary AIP funding, but there is no guarantee of future funding at that level. In-depth discussions with FAA representatives are necessary to determine the potential availability of discretionary funding for an AIP-funded project.

The Federal AIP Grant Process

Once AIP funding has been identified, the airport sponsor must go through an established process to receive the federal funds and apply them towards an airport development project. The following paragraphs summarize the various steps of the process. However, depending on the specific details of the planned project or the sponsor's status, additional steps may be required. The current version of FAA Order 5100.38, *Airport Improvement Program Handbook* will contain a more detailed explanation of all requirements and processes. In addition, coordination with the Airports District Office (ADO) is strongly encouraged to ensure there is no confusion.

Basic Grant Steps

While there are numerous steps in the FAA AIP grant process, all AIP grants proceed through the same basic steps.

PRE-GRANT ACTIONS

Pre-grant actions include a number of actions that must be taken before an AIP-eligible project is ready to be considered for inclusion in a grant. The most critical action is the need for early and extensive coordination between the sponsor and the FAA. The majority of the sponsor's interface with the FAA is at the local level with the appropriate ADO.

Sponsors develop a Capital Improvement Plan (CIP), typically based on the airport's 20-year development plan. This CIP is submitted to the ADO, where it is reviewed to identify the projects that meet all of the applicable requirements. The ADO enters those projects into an automated AIP system, which is then used to create a five-year NPIAS report, outlining the projects that are eligible for AIP funding. From that data, the FAA creates an Airports Capital Improvement Plan (ACIP) to identify the projects that may be funded with AIP over the next three years. Inclusion of a project in the ACIP represents the initial FAA concurrence with the project. However, it is important to note that inclusion of the project in the NPIAS or the ACIP is not a guarantee of funding, nor is the value of the project considered a final determination by the FAA.

The ADO will typically notify the sponsor of the favorable potential for receiving federal funding in the upcoming fiscal years. However, it is not a commitment nor a guarantee of funds; rather, it is simply a notice that funding for the project appears favorable and the sponsor should consider initiating those actions

that require long lead times in order to avoid delays in the grant process. In addition, the sponsor must develop a pre-application which includes a realistic project schedule to achieve deadlines to accomplish key steps in the grant process, and coordinate this schedule with the ADO. Depending on the project, there may be additional steps required, but the common key steps in the grant process schedule include:

- Submission of environmental review documents
- Selection of sponsor's engineer
- Completion of plans and specifications
- Submission of an airspace study
- Submission of a construction safety phasing plan
- Completion of safety management system (SMS) coordination
- Submission of disadvantaged business enterprise (DBE) plan
- Completion of necessary land acquisition
- Notice of intent to use entitlement funds (per annual Federal Register Notice)
- Advertisement for bids
- Acceptance of grant offer
- Award of contract

In addition to completion of the schedule and coordination with the ADO, the ADO will take a number of actions, including verification of sponsor eligibility, verification that all project requirements will be met and verification the sponsor's Airport Layout Plan (ALP) is current. As required by the Department of Transportation (DOT) Office of Inspector General, the FAA, as an element of its risk-based oversight system, will also verify that a sponsor risk assessment has been completed, a risk level has been assigned, and the risk level is still current. The ADO will also review the sponsor's grant history, focusing on open grants, to ensure the sponsor can comply with the requirement to carry out and complete AIP-funded projects without unreasonable delay.

GRANT PROGRAMMING

Once the pre-grant actions have been completed, there are three major steps before the grant application can be processed:

- Grant Programming
- Congressional Notification
- Sponsor Notification

A grant is "programmed" when the ADO takes the action to create a proposed grant in the automated AIP system. These proposed grants are typically based on estimated costs from the AIP grant application as submitted by the sponsor. The grant is then reviewed at various levels with the FAA Office of Airports. If the grant is approved, it then enters into the congressional notification process.

After the FAA Office of Airports approves the grant, it is forwarded to the FAA's Office of Government and Industry Affairs (AGI). After AGI reviews the grant, it is forwarded to the DOT Office of the Secretary (OST). OST will review the grant, a process that varies with the type and amount of funding as well as current legislative requirements, and notify the appropriate congressional office that the grant can be publicly announced. OST will notify FAA when this process is complete, but the FAA can share specific information about the grant only after the OST notification has been received.

After the congressional notification process is complete, the FAA posts the grant on the official FAA Office of Airports website. This is considered formal notification that the ADO has authority to issue the grant, but a sponsor is typically notified in writing through a Tentative Allocation letter.

GRANT APPLICATION, OFFER AND ACCEPTANCE

After the sponsor has been notified that they will receive a grant, the following steps must be completed:

- Grant Application Package Submittal
- Grant Application Review
- Fund Reservation
- Grant Offer
- Grant Acceptance

Before the ADO can issue a grant, the sponsor must submit a complete and correct grant application. This application package must include an Application for Federal Assistance (Standard Form 424), an Application for Development Projects (FAA Form 5100-100 or equivalent) and other documentation (narratives, sketches, photographs, etc.) as requested by the ADO.

The ADO will then review the application package for accuracy and completeness, with the level of review depending on the complexity of the project, the amount of the grant, the size of the airport and past experience with the sponsor. After the ADO completes their review, they will coordinate with the FAA's accounting service to officially reserve the grant funds.

The ADO then prepares a formal grant offer package. This package typically includes a grant cover letter, the actual grant agreement, special conditions, grant assurances, sponsor certifications and current FAA advisory circulars.

The grant cover letter highlights important grant information, such as when the grant document needs to be returned. The grant agreement, when fully signed and executed, is a binding agreement obligating the sponsor and the FAA to the terms and conditions of the agreement. Special conditions highlight extra steps the sponsor must take as part of accepting the grant offer and are included in the actual grant agreement. Grant assurances are a very important part of the grant agreement, since these assurances are obligations that the sponsor agrees to when they accept an AIP grant and the assurances require the sponsor maintain and operate their facilities safely, efficiently and in accordance with specified conditions. Sponsor certifications are sponsor statements that they have met or will meet the specific requirements of certain elements of the process. Finally, the grant offer package contains a list of the current FAA Advisory Circulars (AC) that set out the applicable policies, standards and specifications that sponsors must follow in an AIP-funded project.

Grant Acceptance

If the sponsor agrees with the grant offer, they must take certain steps to finalize the offer. The grant agreement cannot be altered by the sponsor and must be signed by an authorized representative of the sponsor. The agreement must then be signed by the sponsor's attorney, confirming that the sponsor is legally able to enter into the contract with the U.S. government. After the grant has been executed, a specified number of copies must be returned to the ADO. Until the ADO receives an original signed agreement and enters it into the FAA's system, no funds can be drawn from the grant allocation.

GRANT PAYMENTS

Once the grant agreement has been fully executed and returned to the ADO, the sponsor may begin requesting payments from the FAA. It is important to note a number of requirements in the payment process.

- All grant payment requests must be processed through the currently approved DOT grant payment system.

- Payment requests must be submitted at least annually, unless more frequent submissions are requested by the ADO. The sponsor may submit payment requests more frequently as costs are incurred.
- Payment requests must be based on costs already paid by the sponsor. Advance payments must be approved by the ADO.
- The last 10 percent of the federal share of the grant must be withheld until the ADO receives the final grant closeout report.
- The sponsor must retain all of the documentation supporting the grant payment for the required time period and must make this information available on request.

GRANT AMENDMENTS

Under certain circumstances, a grant agreement can be amended. Only the ADO can change a grant agreement and amendments are the process used to implement such changes. In general, a grant agreement can be changed (amended) with certain limitations for the following reasons:

- To increase or decrease the grant amount. Grants for planning projects cannot be increased. In addition, amendments to increase the grant amount are limited to a maximum of 15 percent.
- To clarify the project description.
- To add, delete or modify a project.

Coordinate with the ADO to determine requirements for grant amendments.

GRANT CLOSEOUTS

After the project has been completed, the final step in the process is to complete all of the administrative actions to close out the grant. This step is particularly important to the sponsor, since the FAA is required to withhold the last 10 percent of the federal share of the grant amount until the closeout report has been submitted to the ADO. The basic steps of the process are:

- Physically complete all projects in the grant.
- Complete all grant administrative and financial requirements
- Complete the closeout process

A project is physically complete when all work funded by the grant has been satisfactorily completed in accordance with all specifications or requirements. Before the ADO can process the closeout, they must receive the appropriate documentation demonstrating that the grant project requirements have met, the sponsor has met all of the grant requirements and all project costs are properly documented.

After the ADO has received all required documentation and verified that all requirements have been met, they will prepare a FAA Final Project Report. The ADO will then send written notification to the sponsor of the final payment amount. After the final payment has been made, the ADO will coordinate with other FAA offices to close the grant. When all these actions have been completed, the ADO will notify the sponsor in writing that the grant is physically and financially complete and the grant is officially closed.

POST-GRANT ACTIONS

Once the FAA has officially closed the grant, the sponsor still has additional grant actions it must follow.

- The sponsor is required by law to retain all grant-related documentation for three years. If there is litigation, the sponsor must retain the documentation until the issue is resolved or three years, whichever is later.
- The grant assurances and special conditions remain as an obligation the sponsor must which comply. Most grant assurances and special conditions are in effect for 20 years after the grant was signed.

Some assurances or special conditions are in effect for the life of the equipment or facility, while other obligations remain in effect for perpetuity.

- If a sponsor expends more than $500,000 in federal funds (all federal funds, not just AIP) in a fiscal year, it must comply with the Office of Management and Budget (OMB) single audit requirements. Unless the sponsor is an independent airport authority, this requirement applies to the airport's governing organization, i.e., city, county, state, etc.
- If the sponsor desires to dispose of equipment or land acquired with AIP funds, it must have FAA approval.

NOTE: As stated before, the above discussions on the AIP grant process are a summary of current program guidance. It does not include all the details and program requirements available. A more detailed description of all of the elements of the AIP grant process can be found in the current version of FAA Order 5100.38. In addition, sponsors are strongly encouraged to consult their local ADO for the latest policy and guidance.

State Funding

State governments typically have a variety of funding programs available for airport development. The most predominant programs use of funds from a variety of sources, such as aviation fuel taxes or aircraft registration fees, to provide funding for a portion of an airport sponsor's local share of a federally-funded airport development project. This section describes the program and a history of the state funding for MOT.

North Dakota State Aviation Funding

State funding for airport development is managed by the North Dakota Aeronautics Commission (NDAC). For more information on available funding and procedures, contact the North Dakota Aeronautics Commission staff at 701-328-9650.

The NDAC normally receives biennial appropriations from the state legislature, using funds collected from aviation fuel taxes, aircraft excise taxes, and aircraft registrations. In 2013, the state legislature appropriated $6 million from the General Fund for the 2013-2015 biennium for airport development. The legislature also appropriated $60 million in 2013 and $48 million in 2015 from the Oil and Gas Impact Grant fund to be used for airport development projects at North Dakota airports impacted by oil development. Minot is eligible, and has received monies from this Oil and Gas Impact Grant fund.

Airports may apply for state grants to cover up to 50 percent of the local share for federal AIP-funded projects. Airports may also apply for state grants to cover up to 50 percent of the cost of airport development projects that are not funded through the federal AIP program. Contact the NDAC for grant application procedures and schedules.

Table E-2 – State Project Funding

Year	Description of Development	State Funds	Local Funds	Total Cost
1976	Terminal Building Expansion	$50,000	$50,000	$100,000
1979	Paving Aircraft Parking Ramp Extension; Airport Parking, Ramp Paving, Access Road, Purchase Rescue Vehicles, Fire Station, Fencing	52,614	52,614	105,228
1995	40 Fly-Tiedowns – (120 units); Reconstruct West Side GA Terminal Cargo Area	48,093	48,093	96,186
1996	Crack Seal Rwys and Twys; Repaint Rwy 13-31, Twy C Markings; Reconstruct West Side Terminal; Replace Flush Mounted Rwy Lights; Loop Road North to Fueling Area	69,774	69,774	139,548
1997	West Terminal Apron Access Road for CFR, Fuel Cargo, AMB Customs; Crack Seal Rwy 13-31, Twy and Marking; Rwy Lighting Repairs, Flush Lights	20,960	20,960	41,920
1998	Crack Seal Rwys & Twy C; Rwy Light Repair; Snow Removal Equipment Access Road Reconstruction	18,700	18,700	37,400
1999	Reconstruct RWY 8-26; Airport Crack Repair	90,118	90,118	180,236
2001	Crack Sealing; Access Road Repair; Rwy Light Repair – Flush Mounted Lights	13,000	13,000	26,000
2002	Rehabilitate Parallel Twy C – Pavement Repairs; Commercial Airline Apron Concrete Repair/Joints; Replace Electrical Vault, Relays, Light Circuits, Transformer Compactors	23,000	23,000	46,000
2003	Crack Filling RWY 8-26, Twy B & C; Bituminous Pavement Replacement on GA Apron; Airfield Mowers	61,006	61,006	122,012
2004	Airport Crack Joint Repair; Airfield Electrical Repairs; GA Apron Pavement Repairs; GA Site Utilities Abandonment & Removal; Wildlife Attraction Reduction; Snow Removal Equipment	33,220	33,220	66,440
2005	Airfield Electrical Repairs; Rwy/Twy Markings	6,000	6,000	12,000
2006	Rwy Crack Sealing; Airfield Electrical Equipment; Repaint Rwy/Twy Markings	10,000	10,000	20,000
2007	Airfield Lighting Rehabilitation; Airfield Crack Sealing	7,000	7,000	14,000
2007	Passenger Terminal Remodel	75,000	75,000	150,000
2008	Airfield Lighting Rehab; Repaint Rwy/Twy Markings; Security Access Gate – Loop Replacement; Airside Electrical Replacement	22,150	22,150	44,300
2011	Repaint Rwy/Twy Markings; Terminal Modification	109,650	109.650	219,300
2012	Rehab Rwy 13/31 Markings	49,515	49,515	99,030
2013	Construct Access Road – GA Apron to Commercial Apron	87,500	87,500	175,000
2014	REIL Power Relocation; Pavement Crack Sealing and Marking	35,500	35,500	71,000
2015	Airside Crack Sealing/Airside Markings	26,000	26,000	52,000
Totals		**$908,800**	**$908,800**	**$1,817,600**

Local Funding

While most funding for airport development is derived from federal or state sources, portions of most capital projects as well as the majority of airport operating expenses must be funded through local sources. Ideally, the airport generates sufficient revenue to meet those costs.

Local Funding Sources

An airport does not typically satisfy its capital development needs with internal funding sources alone. Federal, state, and private funding, together with airport funds and bond proceeds, are usually combined to produce the total funds required for capital projects. These funding sources include: FAA, state, private funds (tenant or third party), airport funds, Passenger Facility Charges (PFCs), and loan or bond proceeds. Federal sources, including Airport Improvement Program (AIP) funds, are subject to modification by Congress or other entities having jurisdiction over a particular funding source.

The specific project eligibility criteria may vary depending on the funding source. In identifying potential sources of funds, it is necessary to examine each project element to determine its eligibility for funding. It's also important to consider the availability of funds for each funding source. AIP funding, as the primary source of federal funding, is described in the previous **Federal Funding** section, and potential state funding is described in the previous **State Funding** section. The following paragraphs briefly describe other funding sources available to the airport.

PASSENGER FACILITY CHARGE

The Aviation Safety and Capacity Expansion Act of 1990 authorized the Secretary of Transportation to grant public agencies the authority to impose a Passenger Facility Charge (PFC) to fund eligible airport projects. PFC revenue may be used on a "pay-as-you-go" basis or leveraged to pay debt service on bonds or other debt used to pay for PFC-eligible projects. Although the FAA is required to approve the collection and use of PFCs, the program permits local collection of PFC revenue through the airlines operating at an airport and provides more flexibility to airport sponsors than AIP funds. The current cap on PFC is $4.50 per revenue passenger.

CUSTOMER FACILITY CHARGE

A customer facility charge (CFC) is a fee paid by airport customers for the use of some non-aeronautical service at the airport. These charges are commonly collected from on-airport rental car agencies. The funds are collected by the rental car agency from their customers and then paid to the airport for use in paying the debt service on, for example, a consolidated rental car facility. The airport constructs the facilities on behalf of the agency, allowing them to finance major projects, but keeping the debt off their balance sheets. Airport CFCs are typically charged to each customer for each rental day, ranging from $1.50 per day up to $8 per day. Fees imposed are identified for specific projects.

BONDS

Bonds are a form of debt financing. They are loans where there is a promise of payback backed by the issuing agency such as an Airport Authority or a City/Municipality. A variety of bonds can be issued to support funding airport development projects.

General Obligation Bonds

General Obligation bonds are backed by the creditworthiness and taxing power of the municipality operating the airport. They usually bear low interest rates because of their high degree of security. However, state laws may limit a municipality's overall debt, and competition from other community

financing requirements may preclude their use for an airport project. Some states have an exemption from the debt limitation rule for general obligation bonds because they are used for a revenue producing enterprise.

Revenue Bonds

Revenue bonds pledge the revenues of an airport sponsor to the repayment of debt service. These are the most common source of funding at larger commercial service airports. Revenue bonds are popular because they do not burden the taxpayer or affect the bonding capacity of the municipality. However, their use is limited to airports with a sufficient operating surplus to cover the debt service. Projected Net Revenues must exceed debt service requirements by at least 1.25 times and up to 2.0 times, depending on the strength of the bond issuer and the underlying assumptions with respect to the market risk for the bonds. Interest rates are dependent on the coverage ratio, but in any case will be higher than for general obligation bonds. Other factors that may affect the interest rates on revenue bonds are the strength of the local passenger market and the financial condition of the airlines serving the market.

Special Facility Revenue Bonds

These bonds are normally issued by the airport sponsor for the construction of a facility for a third party and backed by the revenues generated from that facility. This method of funding can be used for such facilities as maintenance hangars, airline reservation centers, terminal buildings and air cargo terminals.

Industrial Development Bonds

These types of bonds can be issued by states, local government, or an airport authority to fund the construction of an airport industrial park or other facilities that may attract business and increase non-aeronautical leasing revenues at the airport.

Third Party Development

Third party financing may be appropriate in a case where an airport sponsor uses a third party developer or a tenant to finance a construction project. Only projects with a strong positive cash flow can support this type of financing. Generally, the third party would lease the structure for a period of years to the tenant paying the airport ground rents. According to the terms of the agreement, the airport sponsor receives ownership of the asset upon expiration of the lease. This method of financing preserves the airport sponsor's cash to fund higher priority projects. Examples of projects that are funded in this manner include the development of passenger terminals, general aviation hangars, corporate hangars and cargo facilities.

OTHER LOCAL FUNDS

The remaining portion of project costs must be funded from local sources. The local share of project costs can come from the annual cash flow at the airport or with unrestricted cash balances available to the airport sponsor. The local municipality may provide the local share from its annual cash flow or available cash reserves.

OTHER NON-TRADITIONAL FUNDING SOURCES

These include any other non-aeronautical funding sources that may be available for airport development. Local sources include community development funding such as the Minot Area Growth through Investment and Cooperation (MAGIC) fund. Other Federal agencies such as Transportation Security Administration (TSA) or Customs and Border Patrol (CBP) may also provide funding for airport improvements.

MOT Local Funding

MOT operates with income derived from airport tenants and customers and does not utilize general tax dollars for funding airport operations. The rates and charges for the use of airport facilities is reviewed on an annual basis by the Minot Airport Committee.

The airport currently collects Passenger Facility Charges (PFC) at a maximum level of $4.50 per enplaned passenger for eligible projects. The current 10-year PFC application estimates collections of more than $11 million through year 2023. MOT uses PFC funds to finance eligible projects and to reimburse the Airport fund for the local Airport share of projects completed after 2012.

Including PFC funded projects, MOT has contributed over $23 million as the local share for state and federally funded projects since 1949. The history of local funding for the Airport Improvement Program projects is included in **Table E-1** and the history of local funding for state funded projects is in **Table E-2.**

More information about local funding sources, financial feasibility of airport improvements and revenue enhancement is contained in **Chapter 6: Implementation**.