

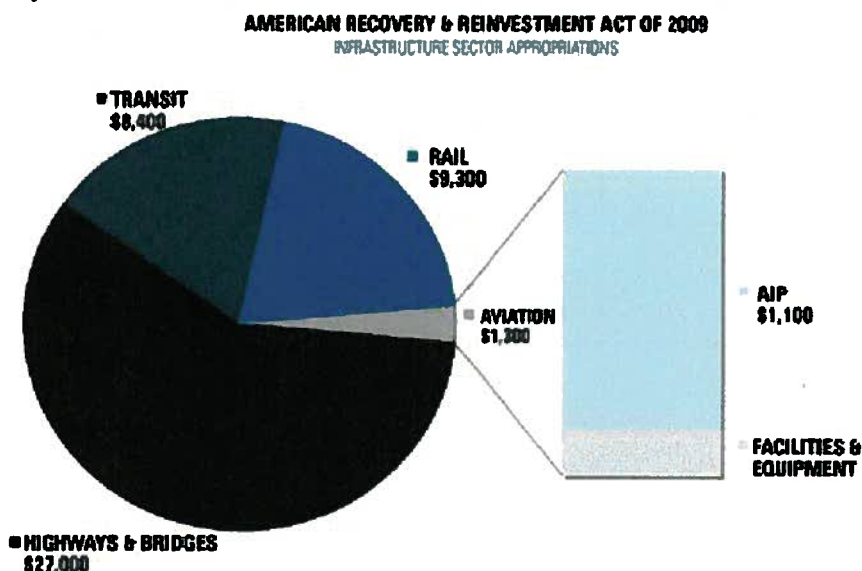
ARRA and AIP Funding

by David Scatterday

President Obama’s highly publicized economic stimulus package was intended as an ideal opportunity to address the funding challenges facing public-use infrastructure in the United States, among other priorities.

The following column will evaluate the stimulus appropriation directed to aviation and provide analysis of the funding in the context of the AIP grant program and long-term aviation capital investment needs.

The stimulus package, known officially as the American Recovery and Reinvestment Act (ARRA) of 2009, was signed by President Obama on Feb. 17, 2009. The \$790 billion legislation allocated \$48 billion to public-use infrastructure. ARRA’s funding appropriation by infrastructure sector is illustrated below:



The \$1.3 billion allocated to aviation comprises 3 percent of total infrastructure spending. Aviation funds are available from two broad categories; (a) grants-in-aid to airports, and (b) supplemental funding for facilities and equipment.

Grants-in-aid monies are discretionary grants to airports to improve critical airport infrastructure, for noise abatement programs and for runway safety systems. These funds will be treated as AIP “pure” discretionary funds and are not subject to any formulas, special apportionment categories or minimum set-asides.

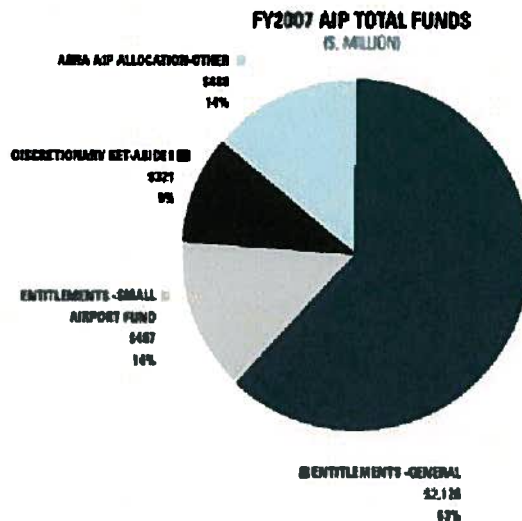
Supplemental funding for facilities and equipment is provided to airports to acquire improved power systems, air route traffic control centers, air traffic control towers, terminal radar approach control facilities, and navigation and landing equipment.

ARRA AIP and Discretionary AIP Grants

A critical characteristic of the ARRA aviation allocation is its treatment of grants-in-aid as AIP pure discretionary grants. Pure discretionary grants lie at the bottom of the AIP grant program’s “funding waterfall.” This is effectively the residual of the AIP appropriation after all entitlements and discretionary set-asides have been allocated.

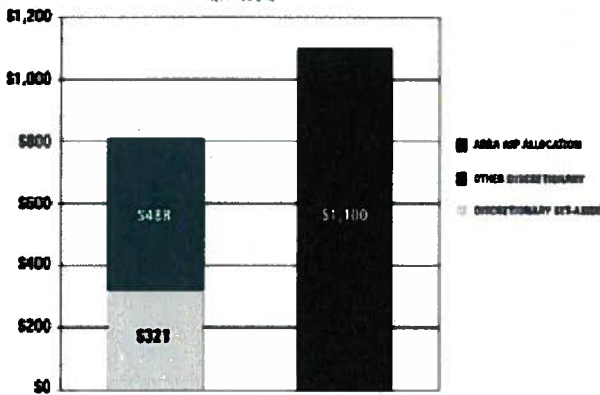
According to FAA’s AIP handbook, the purpose of the pure discretionary funds is to provide funding to projects based solely on their stand-alone merit as measured by the agency’s national priority system.

Within this framework, projects are scored based on their contribution toward accomplishing the purposes of the AIP program with highest priority given to safety, security, reconstruction, standards and capacity, in that order. FAA has identified a candidate pool of the highest priority projects by region based upon these criteria.



In fiscal year 2007, non set-aside discretionary funds equaled approximately \$488 million, or 14 percent of the total annual AIP appropriation. As illustrated below, the ARRA AIP allocation of \$1.1 billion is itself a 36 percent increase in the total allocation for discretionary AIP grants and a 125 percent increase in non-set-aside discretionary funds, which are pure discretionary funds plus discretionary funds for capacity/safety/security/noise projects, compared with fiscal year 2007 levels. The ARRA allocation represents a significant expansion of this value-driven funding category.

FY2007 AIP DISCRETIONARY FUNDS VS. ARRA AIP ALLOCATION
(\$, MILLIONS)




A legislative exemption provides ARRA funds with additional value: ARRA AIP funds can comprise 100 percent of total project costs and do not require a local match. This provision is beneficial to airports in a weak or rapidly deteriorating financial position. ARRA AIP funds will drive the development of high-value yet unprogrammed projects at airports unable to provide local capital.

ARRA AIP and the Aviation Investment Deficit

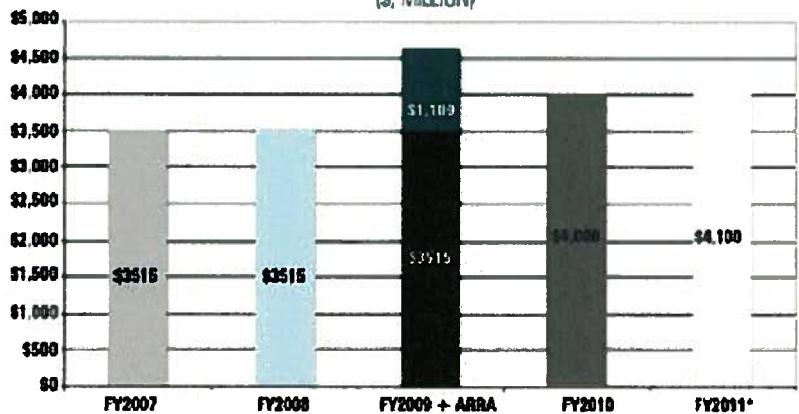
ARRA AIP funds provide an incremental and important contribution toward closing the aggregate capital investment gap in aviation. Combining ARRA AIP funds with AIP funding in the currently proposed FAA reauthorization legislation will provide approximately \$4.6 billion in capital grants in fiscal year 2009, a record funding level for the AIP program.

Despite facilitating historic levels of FAA capital grant funding, ARRA AIP alone will not address completely the existing capital investment gap in aviation. FAA has identified 16 airports that will require additional capacity to meet growing demand through 2015. The Transportation Construction Coalition estimates that annual capital needs are approximately \$17.5 billion, while the total funding available to airports from all sources is only about \$11.4 billion, leaving an investment gap of about \$6 billion per year.

The airport industry argues that the persistent investment deficit in aviation underlines the need for the swift passage of a comprehensive and multi-year FAA reauthorization bill that provides for increased AIP funding and a PFC increase to \$7.50 indexed to inflation. 

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ARRA AND TOTAL AIP APPROPRIATIONS
(\$, MILLION)



* AUTHORIZATION LEVEL IN FAA REAUTHORIZATION ACT OF 2009