

**California Department of Transportation
Division of Aeronautics
Description of Grants**

Aeronautics Account

All state grant programs for airports are funded from the Aeronautics Account in the State Transportation Fund.

Tax revenues, which are collected on general aviation (GA) fuel, are deposited in the Aeronautics Account. GA jet fuel is taxed at 2¢ per gallon and avgas is taxed at 18¢. These taxes generate about \$7 million per year.

The Revenue and Taxation Code (§ 8352.3) spells out the priority for expenditure of funds from the Aeronautics Account: (1) The State Controller and the Board of Equalization for administering the collection of fuel taxes, (2) State operations (Caltrans' Division of Aeronautics and its staff), and (3) Grants to airports.

The Public Utilities Code (§ 21682 through § 21683.2) further specifies the priority for allocation of Aeronautics Account funds to airports: (1) Annual Grants, (2) AIP Matching, and (3) A&D Grants.

Annual Grants

These are State grants to eligible airports for use at the sponsor's discretion subject to applicable laws and regulations, with prior approval from the Department.

Sponsor Eligibility

The airport must be owned by an eligible public agency (e.g., a city, county or airport district). The sponsor must:

- Ensure that the airport is open to the public without restriction to general and commercial aviation.
- Have a valid state permit for the airport.
- Adopt rules that give it sufficient control over the operation of the airport.
- Have height restrictions around the airport which are adequate to ensure that operations can be conducted without any hazardous obstructions.
- Establish a Special Aviation Fund in which state grant monies are deposited.
- Certify eligibility annually with a form (DOA-0007) that is provided by the Department.

To receive the Annual Grant, the airport cannot be designated by the Federal Aviation Administration (FAA) as either a Reliever or a Commercial Service airport.

Uses and Restrictions

The Annual Grant can fund projects for "airport and aviation purposes" as defined in Section 21681(f) of the State Aeronautics Act. Also, the Annual Grant can fund fueling facilities, restrooms, showers, wash racks, and operation and maintenance.

The Annual Grant can provide part of the sponsor's match for projects that are funded by FAA grants as long as the project is otherwise eligible for state funding. Accrued monies can be used at another eligible airport if the sponsor owns more than one airport. Any expenditures (or transfers of funds) require prior approval from the Department.

Funding Level

\$10,000 per year. If the Aeronautics Account does not have sufficient funds, the Annual Grant amount is reduced in proportion to the funds available. Up to five year's worth of Annual Grants may be accrued at the sponsor's discretion. Any accrued funds are held by the State.

Matching Requirement

No local match is required for an Annual Grant.

Funding Cycle

After the airport has certified to the Department that it is eligible for the Annual Grant (and other state funding), the Department credits \$10,000 to the airport's account. This certification has to be made annually. The airport may apply to expend its credited and accrued monies at any time. Each year, the Department notifies eligible sponsors of the application date and provides the necessary forms (DOA-0007 and DOA-0009) for certification of eligibility and for expenditure.

Pay-back Requirements

If an airport is closed to the public for more than one year, a portion of the Annual Grant funds that have been received by the airport's sponsor in the prior 20 years must be paid back to the Department. The amount to be repaid is the original amount reduced at a rate of 5% per year. Pay-back is not required for an airport that has been replaced by a comparable facility. Also, the Department can waive repayment if it decides that the airport is not necessary to the system of public airports. (The waiver applies to just the Annual Grant and not other grant types.)

Grants are subject to state audit. Records that substantiate the expenditure of Annual Grant monies should be retained for three years. Funds may have to be repaid by the sponsor if an audit finds that state law or generally accepted accounting principles have been violated.

AIP Matching Grants

These are state grants to eligible airports for eligible projects subject to programming and allocation by the California Transportation Commission (CTC). This grant assists the sponsor in meeting the local match for Airport Improvement Program (AIP) grants from the FAA.

Sponsor Eligibility

The sponsor must meet the same eligibility requirements as for the Annual Grant; however, Reliever airports can receive AIP Matching grants. The airport must also meet FAA eligibility requirements. The sponsor certifies its **state** eligibility annually with a form (DOA-0007) that is provided by the Department. (A Reliever need certify only when applying for a state grant.)

Uses and Restrictions

An FAA AIP grant can be matched with state funds. The current matching rate is 2.5%. State funds for an AIP Matching grant cannot be allocated by the State until the federal grant has been accepted by the sponsor. A federal AIP grant can fund some types of projects (such as access roads and rescue vehicles) that are not otherwise State-eligible. Generally, state matching is limited to projects that primarily benefit general aviation. The project, which is being funded by an AIP grant, must be included in the CIP in order to receive state matching. **Grants cannot be awarded for projects that have been completed or have started construction prior to allocation from the State.**

Funding Level

The amount that is set aside for AIP Matching grants is determined by the CTC when it adopts the biennial Aeronautics Program. The goal for the set-aside is to have an amount that will be sufficient to match all possible AIP grants. Unused set-aside funds would be available for additional A&D grants.

Matching Requirements

The local match for an AIP grant is 5% of the project's cost. The State's AIP Matching grant provides 2.375% of the project's eligible costs (i.e., 2.5% of the AIP grant). The sponsor pays the remaining 2.625%. The Annual Grant can be applied toward the sponsor's portion of the local match for an AIP grant.

Funding Cycle

The project must first be included in the CIP. Once the FAA has awarded an AIP grant and the sponsor has accepted that grant, the airport can apply for an allocation of AIP Matching funds. This request is submitted to the Department on the form DOA-0012. The Department reviews the application to determine the following:

- The sponsor is eligible.
- The project is in the CIP.
- The project meets applicable state environmental laws.
- The project has not yet been constructed.
- Monies are available in the set-aside for AIP Matching.
- What portion of the project primarily benefits general aviation.

Funding requests that are acceptable will receive an allocation and a Grant Agreement from the Department. ***A sponsor should not begin construction on a project until the Grant Agreement with the Department is fully executed.***

Pay-back Requirements

Same as Annual Grants except that the waiver provision does not apply. AIP Matching grants are subject to state audit. Note: The FAA has its own, separate requirements for the return of grant monies when an airport closes. Please refer to the FAA grant assurances.

Acquisition and Development (A&D) Grants

These are state grants to eligible airports for eligible projects subject to allocation by the CTC.

Sponsor Eligibility

The sponsor must meet the same eligibility requirements as for the Annual Grant. However, Reliever and Commercial Service airports are also eligible for A&D grants. The sponsor certifies eligibility annually with a form (DOA-0007) that is provided by the Department. (Commercial Service and Relievers need certify only when applying for a state grant.) A city or county may receive grants on behalf of a privately owned, public-use airport as explained in Public Utilities Code (PUC) section 21602. An airport land use commission (ALUC) can receive funding to either prepare or update a comprehensive land use plan (CLUP).

Uses and Restrictions

An A&D grant can fund projects for "airport and aviation purposes" as defined in Section 21681(f) of the State Aeronautics Act.

After allocation of funds by the CTC, the plans, specifications and estimates (PS&E) for a construction project must be approved by the Department. The Department must also approve the sponsor's selection of a construction contractor. Upon approving the contractor, the Department will prepare a Grant Agreement and send it to the sponsor. Progress payments, as appropriate, are made but 10% of each payment is withheld pending the Department's final inspection of the project. A slightly different process is used for grants that fund land acquisitions, CLUPs, Master Plans, and airport layout plans (ALPs). For these, the grant is managed by the Division of Aeronautics' Office (other than engineering) which is responsible for that subject area.

Grants cannot be provided for projects that have already been completed or have started construction prior to execution of the Grant Agreement.

An A&D grant cannot be used as local match for an FAA grant, but an AIP Matching grant may be used for this purpose, as explained in the previous section. However, an A&D-funded project can be constructed in conjunction with an FAA-funded project.

Project services (engineering, design, etc.) are limited to 12% of the actual construction cost of a project, including change orders that have been approved by the Department. For land acquisition, "project services" means appraisal, title and escrow fees.

The minimum amount of an A&D grant is \$20,000. The maximum amount that can be allocated to an airport in a single fiscal year is \$500,000. This \$500,000 maximum can occur as a single grant or multiple grants.

Funding Level

The amount available for A&D grants is what is left in the Aeronautics Account after funding State Operations, Annual Grants and AIP Matching.

Matching Requirement

The local match can vary from 10% to 50% of the project's cost. The match rate is set annually by the CTC. The Annual Grant may not be used for the local match to an A&D grant.

Funding Cycle

A sponsor initiates its A&D grant requests through the CIP process. Projects are selected on a multi-year basis through the Aeronautics Program, which is adopted biennially by the CTC. (The Program is adopted in "even" years). The RTPAs and the Department recommend projects to the CTC in accordance with a prioritization methodology that is based upon airport activity and project type.

Each time that the CTC adopts an Aeronautics Program, the Department will notify the airports and provide a list of the projects that have been selected. Prior to the start of each fiscal year, the Department will contact those sponsors whose projects have been programmed for that year and ask them to apply for an allocation from the CTC. Forms and instructions will be sent along with this letter.

An airport requests allocation from the Department using form DOA-0010. The CTC allocates funds for a project if the project adheres to the adopted Aeronautics Program and monies are available. The CTC meets on a regular basis, generally 10-12 times per year. Projects can be accelerated ahead of their programmed year if funding is available. ***A sponsor should not begin construction on a project until the Grant Agreement with the Department has been fully executed.***

Pay-back Requirements

Same as Annual Grants except that the waiver provision does not apply. A&D grants are subject to state audit.

Capital Improvement Program (CIP)

The CIP is not a grant program but a listing of airport projects. However, inclusion in the CIP is a prerequisite for a project being considered for either an A&D grant or an AIP Matching grant. The CIP is discussed here in general terms because specific instructions depend upon the regional transportation planning agency (RTPA) that is responsible for the area in which the airport is located.

The CIP is an element of the California Aviation System Plan (CASP). Requirements for the CASP and the CIP are specified in PUC § 21701 through § 21706. Projects are selected for A&D grants from the CIP and included in the State's biennial Aeronautics Program in accordance with criteria that have been adopted by the CTC. The CTC also adopts the Aeronautics Program.

The CIP is prepared by the Department and RTPAs with airport management, RTPA staff, the FAA, and the Department working together to assess the airport's needs, and determine appropriate funding sources for worthwhile projects.

The CIP is designed to list all projects, whether they are funded locally or by FAA grants or state grants. As such, the CIP is part of the Regional Transportation Plan (RTP) in which the RTPAs address all of their region's transportation needs. RTPs and the CIP are developed in "odd" years. The Aeronautics Program is adopted by the CTC in "even" years (typically in March). An airport manager should expect to be contacted by either the Department or the RTPA early in the year that the CIP will be developed (i.e., in an "odd" year).

Eligibility for State Grants & Loans by Airport Type

Airport Type ¹	Annual Grant	Acquisition and Development (A&D)	AIP Matching	Loan
NonNPIAS	yes	yes	n/a	yes
GA	yes	yes	Up to 2.5% of AIP amount ³	yes
Reliever	no	yes	Up to 2.5% of AIP amount ³	yes
Commercial Service	no	yes	no	Only for GA purposes
ALUC	no	Prepare/update CLUP	no	no
Zoning Authority	no	Safety projects near privately owned, public use airports ²	no	no

1. All four types of airport must be publicly owned and open to the public. "Public ownership" includes cities, counties, and some types of special districts.
2. The privately owned airport must agree to remain open to the public for 20 years.
3. The AIP project must also (1) be in the Capital Improvement element of the California Aviation System Plan, and (2) primarily benefit GA.

NPIAS. The FAA recognizes three broad categories of airports in the National Plan of Integrated Airport Systems (NPIAS): Commercial Service, Reliever, and General Aviation (GA). Airports which do not meet the FAA's minimum criteria are referred to as "NonNPIAS" facilities. NonNPIAS airports cannot receive federal Airport Improvement Program (AIP) grants.

Loans. Loans may be used to (1) construct revenue general projects (e.g. hangars), (2) provide part of the local match to an AIP grant, and (3) construct other airport development projects.

Procedures to Receive an AIP Matching Grant

Once a sponsor accepts a federal Airport Improvement Program (AIP) grant, it should apply to the Division of Aeronautics for an allocation of State matching funds. The application form (DOA-0012) must be received by the Division *and* the state AIP Matching Grant Agreement must be *executed* prior to the start of construction (or land acquisition or planning effort).

The State will allocate matching funds to the sponsor when the following criteria have been met:

- The sponsor is eligible.
- The sponsor has accepted the AIP grant.
- The sponsor's governing board has approved the application for State funding. (The sponsor should get board/council approval for the State application at the same time as board approval for the AIP application. This avoids delays later.)
- The project is in the State's Capital Improvement Plan (CIP).
- The project meets applicable State environmental laws.
- Construction of the project has not yet started.
- The primary benefit of the project is for general aviation.
- Monies are available in the State's set-aside for AIP Matching.

When it allocates funds, the Department will also prepare a state grant agreement and send it to the sponsor for signature. The sponsor then returns the agreement to the Division of Aeronautics which will complete the processing. The Department does process progress.

Eligible Projects for State Funding

The items in this list can be funded with **Annual Grants** and **A&D grants**. Descriptions in this list have been shortened from the relevant laws and regulations. For **AIP Matching**, the State can provide its 2.5% match for any type of project as long as its primary benefit is for general aviation (GA).

- a. **Obstruction Removal.** Removal of obstructions from runway safety areas, RPZs or approach surfaces, and the other imaginary surfaces, if they have been determined by the FAA or the Department to be a hazard.
- b. **Radios.** Aviation radio equipment and facilities.
- c. **Land.** Acquisition of land and aviation easements.
- d. **Lighting.** Purchase and installation of runway, taxiway, boundary, or obstruction lights, with directly related electrical equipment, **to meet general aviation needs.**
- e. **Fencing.** Minimum security fencing around the perimeter of an airport, **for general aviation purposes.**
- f. **Transient Parking.** Construction/reconstruction of transient **general aviation** aircraft parking areas.
- g. **Bond Service.** Servicing of revenue or general obligation bonds that have been issued to finance airport capital improvements.
- h. **Nav aids.** Air navigation aids including rotating beacons, runway end identifier lights, and localizer transmitters.
- i. **Airport marking systems** such as segmented circles, wind socks, traffic pattern indicators, and wind tees.
- j. **Noise monitoring equipment** to meet **general aviation** needs.
- k. **Project Services.** Engineering for eligible construction projects; appraisal and escrow fees for land acquisition.
- l. **Runways and Taxiways.** Construction and reconstruction.
- m. **Service roads** that are not open to the public.
- n. **Surfacing** of runways, taxiways, and aircraft parking areas to **GA standards.**
- o. **Water supply and sanitary disposal systems** for airport use.
- p. **Master plans and airport layout plans.**
- q. **Comprehensive Land Use Plan (CLUP).** Activities of an airport land use commission (ALUC) to prepare or update a CLUP.

The following can be funded with **Annual Grants** but not with A&D grants:

(a) **Operation and maintenance** (wages/salaries, utilities, service vehicles, and all other noncapital expenditures), (b) **GA fueling facilities**, (c) **Restrooms/showers**, and (d) **GA airplane wash racks.**

**California Department of Transportation
Division of Aeronautics**

Description of the Local Airport Loan Program

Local Airport Loan Account

The Local Airport Loan Account is a revolving fund that was initiated with seed money from the Aeronautics Account. As principal and interest payments are returned to the Loan Account, additional loans can be provided to airports.

Sponsor Eligibility

The airport must be owned by an eligible public agency (e.g., a city, county or airport district). The sponsor must:

- Ensure that the airport is open to the public without restriction.
- Have a valid State permit for the airport.
- Adopt rules that give it sufficient control over the operation of the airport.
- Have height restrictions around the airport which are adequate to ensure that operations can be conducted without any hazardous obstructions.
- Certify eligibility with a form (DOA-0007) that is provided by the Department.

Uses and Restrictions

Nearly any type of project for construction and land acquisition that benefit the airport and improve its self-sufficiency is eligible. "Land banking", automobile access roads, automobile parking areas, and facilities to accommodate airlines, however, are not eligible for a State loan. A loan can provide the sponsor's match for a project that is funded by an FAA grant. Thus, an airport could receive a federal AIP grant for 95% of a project, a state-funded AIP Matching grant for 2.375% of a project, and a loan for the remaining 2.625% of a project.

For a revenue-producing project, a separate account **must** be established to receive income from the project. Expenses for maintaining the project may be paid from this separate account, but all revenues received must be held in trust, in an amount equal to one year's repaying of the loan.

No limit on the size of a loan has been established in either law or regulation. The Department determines the amount for each individual loan in accordance with the feasibility of the project and the sponsor's financial status. Economic feasibility is an especially strong factor in the approval of loans for revenue-generating projects such as hangars and fueling facilities. A checklist for demonstrating economic feasibility is available from the Division.

Funding Level

Funding depends upon the available balance in the Local Airport Loan Account.

Matching Requirement

No local match is required for a loan.

Funding Cycle

Loans may be requested from the Department at any time using the appropriate form (DOA-0019 for matching loans, DOA-0020 for revenue-generating projects, and DOA-0013 for airport development). Loan applications are reviewed by the Department. Then, the applications are presented at periodic public hearings that the Department conducts. A matching loan may be requested when the sponsor transmits its grant application to the FAA, but the loan will not be paid by the State until the AIP grant has been accepted by the sponsor.

Pay-back Requirements

A pay-back schedule is included in each Loan Agreement. Generally, the term of a loan will vary between 8 and 17 years depending upon the amount of the loan. Larger loans have a longer pay-back period. Loans may be repaid early without penalty. Simple interest is charged on the outstanding balance of the loan's principal. The interest rate is based upon the State bond sale that occurs before the Department prepares the Loan Agreement.

Loans are subject to State audit. Records that substantiate the expenditure of loan monies should be retained until three years after the retirement of the loan. Funds may have to be repaid by the sponsor if an audit finds that State law or generally accepted accounting principles have been violated.

For more information about grants and loans, call, write or e-mail:

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