

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	9.00	9.00	9.00	9.00	9.00	9.00	0.00	0.00 %
Personal Services	675,136	680,874	761,440	762,381	1,356,010	1,523,821	167,811	12.38 %
Operating Expenses	702,263	791,284	7,802,622	895,160	1,493,547	8,697,782	7,204,235	482.36 %
Grants	386,052	426,000	424,000	424,000	812,052	848,000	35,948	4.43 %
Transfers	6,901	7,478	6,901	6,901	14,379	13,802	(577)	(4.01)%
Total Costs	\$1,770,352	\$1,905,636	\$8,994,963	\$2,088,442	\$3,675,988	\$11,083,405	\$7,407,417	201.51 %
State/Other Special Rev. Funds	1,585,078	1,704,848	1,868,073	1,861,645	3,289,926	3,729,718	439,792	13.37 %
Federal Spec. Rev. Funds	185,274	200,788	7,126,890	226,797	386,062	7,353,687	6,967,625	1,804.79 %
Total Funds	\$1,770,352	\$1,905,636	\$8,994,963	\$2,088,442	\$3,675,988	\$11,083,405	\$7,407,417	201.51 %

Program Description

The Aeronautics Program: 1) facilitates the operation and infrastructure of airports and airways, both public and private, throughout Montana; 2) provides mechanisms for funding airport and aviation related projects throughout the state; 3) registers aircraft and pilots in accordance with Montana laws and regulations, and fosters, promotes, and supervises aviation and aviation safety through educational efforts and programs; and 4) coordinates and supervises aerial search and rescue operations. The program administers a loan and grant program to municipal governments to fund airport improvement projects. The Aeronautics Board approves all loan and grant requests and advises on matters pertaining to aeronautics.

The program serves as a liaison between the State of Montana and various other entities including the U.S. Department of Transportation, the Federal Aviation Administration (FAA), other federal and state entities, and commercial airlines in order to assure the retention and continuation of airline service to Montana's rural communities. The program is also responsible for operation of the air carrier airport at West Yellowstone and for 15 other state-owned airports.

Program Highlights

Aeronautics Program Major Budget Highlights
<ul style="list-style-type: none"> • \$6.4 million for improvements at West Yellowstone Airport are included in this budget <ul style="list-style-type: none"> ◦ Creates large increase in operating expenses ◦ Increases federal funding in the 2017 biennium • The present law change from FY 2015 in this budget is \$176,397, an average increase of 4.6% • \$162,073 is personal services adjustments
Legislative Action Issues
<ul style="list-style-type: none"> • West Yellowstone Airport will be challenged in providing matching funds for the taxiway project

Program Discussion -

The significant change in this program budget is related to the \$6.4 million new proposal to design and reconstruct the apron area and taxiway at Yellowstone Airport. While this is a West Yellowstone airport project, the request has been made in the Aeronautics Program budget. The state match to these anticipated federal dollars is \$750,000, or an approximate 9.1% state match and is included in the budget for the proprietary West Yellowstone Airport program. There are funding issues with the state's portion of the cost, and for more information see the West Yellowstone Program section of this analysis. The present law adjustments for the program provide an increase of 4.6% over FY 2015.

Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base

The following table highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - Department of Transportation				
Program	Legislative Appropriation	Consolid of Bien Approp	House Adjustments	Total Executive Implementation
40 AERONAUTICS PROGRAM	\$2,067,086			\$2,067,086
Change in Funding-Fed. Spc.			1,000	1,000
Change in Funding-Fed. Spc.			(1,000)	(1,000)
Change in Funding-State Spc.			(11,000)	(11,000)
Change in Funding-State Spc.			11,000	11,000
Move OpExp Authority to FY 2014		(\$99,450)		(99,450)
Move Grant Authority to FY 2014		(62,000)		(62,000)
Program Total	\$2,067,086	(\$161,450)	-	\$1,905,636

The Aeronautics Program moved biennial authority from FY 2015 to FY 2014 in operating expenses and grant authority. Other changes seen in the figure above include the movement of authority between state special and federal special funds, as authorized in HB 2 language.

Comparison of FY 2014 Actual Expenditures to FY 2015 Appropriations

87.7% of FTE time used in FY 2014

- 99.6% of personal services budget used in FY 2014
 - Personal services were paid 96% state special and 4% federal special
 - Transferred \$29,186 from operating expenses to personal services
- Half of the program's workforce, 4.00 FTE, is eligible for retirement

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Transportation, 40-Aeronautics Program Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0.00 %
02286 Aeronautical Loan Account	700,000	0	0	700,000	18.77 %
02287 Aeronautical Grant Account	700,000	0	0	700,000	18.77 %
02349 Highway Non-Restricted Account	274,926	0	0	274,926	7.37 %
02827 Aeronautics Division	1,914,792	0	0	1,914,792	51.34 %
02962 Airport Pvm. Preservation	140,000	0	0	140,000	3.75 %
State Special Total	\$3,729,718	\$0	\$0	\$3,729,718	30.26 %
03060 Aeronautics Division	7,352,238	0	0	7,352,238	99.98 %
03407 Highway Trust - Sp Rev	1,449	0	0	1,449	0.02 %
Federal Special Total	\$7,353,687	\$0	\$0	\$7,353,687	59.66 %
06007 West Yellowstone Airport	0	1,242,027	0	1,242,027	100.00 %
Proprietary Total	\$0	\$1,242,027	\$0	\$1,242,027	10.08 %
Total All Funds	\$11,083,405	\$1,242,027	\$0	\$12,325,432	

The Aeronautics Program is funded by both state and federal special revenue funds. State special revenue funds are derived primarily from state aviation fuel taxes and aviation license fees. Federal special revenue comes from Federal Aviation Administration grants.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	2,067,086	2,067,086	4,134,172	0.00 %
PL Adjustments	0	0	0	0.00 %	155,041	21,356	176,397	0.00 %
New Proposals	0	0	0	0.00 %	6,772,836	0	6,772,836	0.00 %
Total Budget	\$0	\$0	\$0		\$8,994,963	\$2,088,442	\$11,083,405	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	0	(3,289)	83,855	80,566	0.00	0	(17,759)	99,266	81,507
DP 99 - LEG. Present Law	0.00	0	(3,041)	77,516	74,475	0.00	0	13,106	(73,257)	(60,151)
Grand Total All Present Law Adjustments	0.00	\$0	(\$6,330)	\$161,371	\$155,041	0.00	\$0	(\$4,653)	\$26,009	\$21,356

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments				
FY 2016				
CP 98 PSPL Item	FTE	State Special	Federal Special	Total Funds
State Share Health Insurance	9.00	\$4,166	\$208	\$4,374
Executive Implementation of 2015 Pay Increase		12,668	631	13,299
Fully Fund 2015 Legislatively Authorized FTE		13,241	-	13,241
Other		(33,364)	83,016	49,652
Personal Services Present Law Adjustments	9.00	(\$3,289)	\$83,855	\$80,566
FY 2017				
CP 98 PSPL Item	FTE	State Special	Federal Special	Total Funds
State Share Health Insurance	9.00	\$4,166	\$208	\$4,374
Executive Implementation of 2015 Pay Increase		12,668	631	13,299
Fully Fund 2015 Legislatively Authorized FTE		13,241	-	13,241
Other		(47,834)	98,427	50,593
Personal Services Present Law Adjustments	9.00	(\$17,759)	\$99,266	\$81,507

The personal services budget would increase by an average of \$81,037 per year under legislative present law adjustments. As seen in the figure above, the impacts of HB 13, employee health care, and the increase associated with the add-back of the 2015 biennium additional 2% vacancy savings create average PSPL adjustments of \$30,914/year, or 38.4% of the total personal service adjustments.

The "other" row in the figure above averages 6.6% of the total personal services budget and consists of various adjustments such as a funding switch from federal special revenue to state special revenue, career ladder pay raises, and longevity pay increases. This personal services budget was not reduced by in the implementation of the boiler plate language included in the 2013 session version of HB 2, due to the low number of staff in the program.

DP 99 - LEG. Present Law -

The following table outlines various components of the changes included in the LGPL adjustments.

Legislative Present Law Adjustments			
LGPL - CP 99 Item	FY 2016		
	State Special	Federal Special	Total Funds
Other Decision Points:			
BCD - Consolidation of Biennial Approp	(\$161,450)	\$0	(\$161,450)
DP 4001 - Aeronautic Loans and Grants	146,766	-	146,766
DP 4003 - Aeronautic Charts OTO	0	-	-
DP 4005 - Pavement Condition & System Plan	19,283	173,547	192,830
DP 40122 - Equipment Rental	7,600	-	7,600
Miscellaneous Other	(15,240)	(96,031)	(111,271)
Total LGPL	(\$3,041)	\$77,516	\$74,475
	2017		
Other Decision Points:			
BCD - Consolidation of Biennial Approp	(\$161,450)	\$0	(\$161,450)
DP 4001 - Aeronautic Loans and Grants	146,766	-	146,766
DP 4003 - Aeronautic Charts OTO	20,000	-	20,000
DP 4005 - Pavement Condition & System Plan	4,283	38,547	42,830
DP 40122 - Equipment Rental	7,600	-	7,600
Miscellaneous Other	(4,093)	(111,804)	(115,897)
Total LGPL	\$13,106	(\$73,257)	(\$60,151)

The figure above includes all present law adjustments requested for operating expenses, equipment, grants, transfers, and debt service. The adjustments are shown in decision points to provide a mechanism for legislative discussion and decision. Other decision points include:

- DP 4001 - Aeronautic Loans and Grants – This request would provide an increase in appropriation authority for the grants and loans programs. Communities often use these grants and loans to leverage federal funds available for airport safety and development. The request, along with the current base, would provide \$350,000 for distributions in each program. The request provides in each year:
 - Airport loans - \$112,818
 - Airport grants - \$33,948
- DP 4003 - Aeronautic Charts – This request would provide appropriation authority to produce an aeronautical chart, which is historically updated every four years. The chart will incorporate the latest federal FAA aeronautical information and identify and depict aeronautical features unique to Montana that are not reflected on other charts. The department states it cannot be produced in house. This decision package is considered an OTO and normally occurs in a non-base year
- DP 4005 - Pavement Condition & System Plan – This request would provide an appropriation increase in consulting and professional services related to the state aviation system plan. The system plan provides both voluntary and mandated infrastructure and capital improvement plans that are used to develop individual airport projects around the state. This request includes new federal appropriation authority from the Federal Aviation Administration for a pavement condition index
- DP 40122 - Equipment Rental - Program - This request would fund an increase to operating expenses for the cost increases of equipment rentals through the MDT equipment program. This request represents the increased costs of the Equipment Program allocated based on the anticipated equipment needs of the program

The “miscellaneous other” row in the figure above is a general budget reduction, which over the biennium nets to a reduction of \$227168.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4004004 - Yellowstone Airport Taxiway	0.00	0	0	6,421,831	6,421,831	0.00	0	0	0	0
DP 4004006 - Lincoln Airport Improvements	0.00	0	8,105	342,900	351,005	0.00	0	0	0	0
Total	0.00	\$0	\$8,105	\$6,764,731	\$6,772,836	0.00	\$0	\$0	\$0	\$0

DP 4004004 - Yellowstone Airport Taxiway -

This budget request is for \$6,421,831 in federal special revenue for engineering design services necessary to prepare a complete set of plans and specifications for the reconstruction of the apron area and to reconstruct the only taxiway at the Yellowstone Airport. These pavement surfaces must meet FAR 139 requirements to maintain the airport's commercial operating certificate in order to host scheduled air carrier service. These pavement surfaces must be maintained in order to eliminate possible aircraft damage or injury to the flying public. The potential for Foreign Object Debris (FOD) to either be ingested by an aircraft engine or blown into other aircraft is high with the current pavement conditions that exist at the airport.

LFD COMMENT	The Yellowstone airport taxiway proposal seen above provides the federal funds for this project. The matching state funds are requested in the non-budgeted West Yellowstone proprietary section of this report. For a discussion of the issues related to the use of proprietary funds for this match, refer to the "Proprietary Rates" section that follows.
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DP 4004006 - Lincoln Airport Improvements -

The executive requests an appropriation consulting and professional services related to the construction of a hangar taxi-lane, which will create opportunities for an additional 20 hangar building sites. There are currently 10 hangars at the airport and 2 additional sites are available for future construction. Hangar site rent paid is the only revenue generating source of income for the airport.

Other Issues -

Proprietary Program Description

The Yellowstone Airport is located in West Yellowstone, one mile from Yellowstone National Park. Commercial air service is available seasonally from June 1st to September 30th and the airport is usually open for private aircraft operations from mid-May through mid-November. The airport accomplishes its missions with extensive facilities to accommodate all sized aircraft and operations ranging from large commercial service jets to small piston aircraft.

Fees for leases and other business services are both market and recovery based. Additional operating expenses planned in the 2017 biennium include a runway maintenance project funded with 90% FAA AIP money and performed in accordance with FAA mandates and advisory circulars.

The West Yellowstone Airport program is funded with an enterprise proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund. Statute requires that agencies providing enterprise/internal service functions must provide information related to the use of revenues obtained through rates and charges and the estimated fund balance of the proprietary fund. The report for the enterprise fund is seen below.

Revenues and Expenses

Operations of the West Yellowstone Airport are funded with revenues that include local property taxes, rentals and leases, concession sales receipts, and landing fees. Total operating revenues in the 2017 biennium, as seen in the figure below, are expected to be \$417,772, decreasing 13.2% in comparison to the revenues in the 2015 biennium.

Expenses

- Personal service costs for 3.00 employees or 2.00 FTE are \$138,236 or 33.7% of total costs and include:
 - 1 Airport manager employed at 8 months full time and 4 months half-time
 - 1 Airport operations chief and 1 airport fire fighter who are employed seasonally
- Operating expenses are \$271,566 or 66.3% of total costs and include:
 - Consultant and professional services, \$208,327
 - Electricity and natural gas, \$22,931

In the 2017 biennium the West Yellowstone budget includes:

- Personal services - projected to increase by \$72,123 or 19.3%
- Operating costs – projected to increase by \$537,645 due to plans for taxiway reconstruction
- Total expenses – projected to increase by \$609,768

Revenues

The enterprise revenue sources when combined with existing working capital balances are projected to recover sufficient cash to fund projected expenditures at the airport. The cash needed for 60-days of personal services and operating expenses average to \$44,195.

2017 Biennium Report on Internal Service and Enterprise Funds							
Agency # 54010	Agency Name: Department of Transportation			Program Name: Aeronautics Program			
	Fund 06007	Fund Name West Yellowstone Airport					
		Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues:							
Fee and Charges							
Fee Revenue A		75,083	75,317	62,533	68,994	68,994	68,994
Other Operating Revenue		142,235	124,166	406,492	147,429	146,892	146,892
Total Operating Revenues		217,318	199,483	469,025	216,423	215,886	215,886
Expenses:							
Personal Services							
Other Operating Expenses		62,006	65,342	241,918	52,118	792,667	75,253
Total Operating Expenses		197,423	156,093	379,910	202,866	979,705	262,323
Operating Income (Loss)		19,895	43,390	89,115	13,557	(763,819)	(46,437)
Nonoperating Revenues:							
Nonoperating Expenses:							
Other Expense A		(134,509)	(165,211)	(167,709)	4,800	-	-
Total Nonoperating Revenues (Expenses)		(134,509)	(165,211)	(167,709)	4,800	-	-
Income (Loss) Before Contributions and Transfers		(114,614)	(121,821)	(78,594)	18,357	(763,819)	(46,437)
Change in Net Position		(114,614)	(121,821)	(78,594)	18,357	(763,819)	(46,437)
Beginning Net Position - July 1		2,877,872	2,763,258	2,641,437	2,562,843	2,581,200	1,817,381
Change in Net Position		(114,614)	(121,821)	(78,594)	18,357	(763,819)	(46,437)
Ending Net Position - June 30		2,763,258	2,641,437	2,562,843	2,581,200	1,817,381	1,770,944
Net Position (Fund Balance) Analysis							

The Yellowstone Airport proprietary fund balance is forecast to decrease slightly and includes a reduction in operating expenses. Management objectives are to use part of the available fund balance as needed to satisfy recent necessary federal airport certification requirements. There is no anticipated fluctuation of cash into the program and conservation of fund equity is to remain a high priority to offset additional Federal Airport Certification and Security requirements.

In past biennia, the West Yellowstone Airport has maintained an adequate cash balance to meet operational needs and provide the required match for federal airport improvement grants. In the 2017 biennium the program will need to sustain both normal operating costs and provide the required match for anticipated federal funds to reconstruct the apron and runway for the West Yellowstone Airport. The West Yellowstone Airport is not anticipating an increase in revenues, thus MDT is working on a funding solution for the necessary match so it can maintain its commercial operating certificate. Budget authority needs to be in place while funding solutions are determined; ensuring commercial flights continue into the region.

Rate and Rate Explanation

For the 2017 biennium the following rates are proposed by the executive. This information is provided for informational reasons only, and the legislature is not required to approve the rates.

Rates and fees for provided services are market based and will increase in FY2015 and the 2017 biennium as noted in the schedule below. The fee increases will help bring the current charged fees closer to common state industry standards based upon rates and charges schedules as reported by airport operators throughout the state. In addition, some of the changes are to standardize and even out current rates, which are charged at different levels for similar services.

Some landing fees will increase for the 2017 biennium. The fuel flow fee increased in the second year of the 2015 biennium by \$0.01 per gallon and will remain constant through the biennium. Car rental and airline rates will increase from \$2.50/\$2.75 a square foot to \$2.75/\$3.00 a square foot and the building lease agreement with Nevada Testing will go from \$5.50 a square foot to \$6.00 a square foot.

West Yellowstone Airport Rate Schedule		
Fee/Rate Information	Actuals FY 2014	Budgeted FY 2015
Fee Group A		
Landing Fees - Scheduled Air Carrier	\$1.10 / 1,000lbs	\$1.25 / 1,000lbs
Landing Fees - Other uses	9,001-16,500lbs =\$25.00	9,001-16,500lbs =\$25.00
Landing Fees - Other uses	16,500 lbs - \$1.60/1000lbs	16,500 lbs - \$1.60/1000lbs
Fuel Flowage Fee	\$0.08/Gallon	\$0.09/Gallon
Building Leases - Car rental, Airline	\$2.50-\$2.75/sq.ft.	\$2.75-\$3.00/sq.ft..
Building Leases -FBO, Hangar Ground	\$0.12/sq.ft	\$0.12/sq.ft
Adboards	\$225 ad board - \$400 special	\$225 ad board - \$400 special
Tax Transfers	7000	7000
Sales Receipts	10% of Gross Sales	10% of Gross Sales
Non-Aero Rentals		
Nevada Testing		6.00 psfpa + utilities + usage fee (\$925/customer annual and \$75/day)
City	\$11,000/Year	\$11,000/Year
Energy West	\$13,500/Year	\$13,500/Year
Yamaha	\$8,500/Year	\$8,750/Year
Chamber - Snow Shoot	\$1,000 + \$100.00/day occupancy + \$200.00 Groomer Storage	\$1,125 + \$115.00/day occupancy + \$225.00 Groomer Storage
	Budgeted FY 2016	Budgeted FY 2017
Fee Group A		
Landing Fees - Scheduled Air Carrier	\$1.25 / 1,000lbs	\$1.45 / 1,000lbs
Landing Fees - Other uses	9,001-16,500lbs =\$25.00	9,001-16,500lbs =\$30.00
Landing Fees - Other uses	16,500 lbs - \$1.60/1000lbs	16,500 lbs - \$1.70/1000lbs
Fuel Flowage Fee	\$0.09/Gallon	\$0.09/Gallon
Building Leases - Car rental, Airline	\$2.75-\$3.00/sq.ft.	\$2.75-\$3.00/sq.ft.
Building Leases -FBO, Hangar Ground	\$0.12/sq.ft.	\$0.12/sq.ft.
Adboards	\$225 ad board - \$400 special	\$225 ad board - \$400 special
Tax Transfers	8000	8000
Sales Receipts	10% of Gross Sales	10% of Gross Sales
Non-Aero Rentals		
Nevada Testing	6.00 psfpa + utilities + usage fee (\$925/customer annual and \$75/day)	6.00 psfpa + utilities + usage fee (\$925/customer annual and \$75/day)
City	\$11,000/Year	\$11,000/Year
Energy West	\$13,500/Year	\$13,500/Year
Yamaha	\$9,000/Year	\$9,250/Year
Chamber - Snow Shoot	\$1,250 + \$130.00/day occupancy + \$250.00 Groomer Storage	\$1,375 + \$145.00/day occupancy + \$275.00 Groomer Storage