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TO: South Dakota Aeronautics Commission
FROM: Joel Jundt, Cabinet Secretary
DATE: September 14, 2026
SUBJECT: Consideration of Aeronautics Commission Funding Policy

The Aeronautic Fund balance has reached record levels. Projections show this upward trend will continue. To balance these high funds with critical infrastructure needs, we recommend adjusting your current state funding allocation policy. This will allow the Aeronautics Commission to support major upcoming airport projects, including Rapid City and Sioux Falls airport terminals while keeping the fund healthy.

We provide periodic updates to ensure state fund allocations match the Aeronautic Funding account health. Right now, the account balance is at an all-time high. Because the fund can safely handle major fluctuations, we have a unique opportunity to invest more state dollars back into our airports.

Proposed Policy Changes

To address the need for additional state expenditures, we recommend the Aeronautics Commission amend the policy as follows:

- Section B, Items 9.ii:
General Aviation (GA) Projects: Increase the fixed state match percentage from 5% to either 6% or 7%.

Note: The increased match rate will apply strictly to General Aviation projects. It will exclude Rapid City and Sioux Falls, as their additional funding will be handled through the new formula scheme for airport terminal projects.

- Section B, Items 9.iii:
Airport Terminal Projects: Adopt the proposed formula as shown on Attachment #2A .

The proposed changes are reflected in Attachment #2A and Attachment #2B

SOUTH DAKOTA AERONAUTICS COMMISSION
POLICIES & PROCEDURES FOR USE OF STATE FUNDS
LAST REVISED 09/17/2026

The following policies and procedures are adopted by the Commission to govern the usage of the State aeronautics fund.

A. Preconditions for AIP Project Approvals by the Commission

1. Political subdivisions must demonstrate a need for the project.
2. The airport must be included in the State Aviation System Plan.
3. The proposed development must be shown on an approved airport layout plan, or the Commission may conduct a special review to ensure the proposed development is consistent with the statewide aviation system plan.
4. Construction projects will be in accordance with FAA specifications and design standards.
5. Project sponsors will have the requisite amount of local matching funds available prior to Commission approval.
6. Routine inspections, maintenance, and data dissemination of AWOS units will be reimbursed at 75% by the Aeronautics Fund with a 25% local match and that unscheduled maintenance and repair will not be eligible for this reimbursement.

B. Categories of AIP Funded Projects Eligible for State Aeronautics Fund (Not in Priority Order)

1. Land acquisition for runways and runway extensions.
2. Runway and taxiway construction, reconstruction, strengthening or pavement maintenance treatments.
3. General Aviation (GA) and air carrier apron construction.
4. Runway and taxiway lighting, obstruction lighting, and navaid lighting.
5. Certified weather reporting equipment.
6. Obstruction removal will be a Commission priority when the obstruction is in violation of Federal Aviation Regulations, Part 77, or when the obstruction exists on the approach surfaces of an airport layout plan.
7. Security and wildlife fencing.
8. Snow removal equipment and storage buildings.

9. Portions of a terminal building, dedicated to public use and non-revenue producing, may be funded by the Aeronautics Commission. Three limitations apply:
- i. On projects funded by State and Local only, the Commission will review on a case by case basis to determine state funding participation.
 - ii. On projects involving Federal/State/Local funding, State aid will be limited to the current match set by the Commission.
 - iii. State aid ~~will be limited to a maximum~~ for each commercial service airport terminal project ~~will be based on a percentage of the project cost as listed below:~~
 - **\$5,000,000 or less.**
State aid is 5% of the project cost.
(Maximum state aid of \$250,000, if maximum project cost of \$5,000,000).
Mathematical Formula: $0.05(\text{Project Cost}) = \text{state aid}$
 - **Over \$5,000,000 but less than or equal to \$23,750,000.**
State aid is \$250,000 plus 4% of the difference between the project cost and \$5,000,000.
(Maximum state aid of \$1,000,000, if maximum project cost of \$23,750,000).
Mathematical Formula: $\$250,000 + 0.04(\text{Project Cost} - \$5,000,000) = \text{state aid}$
 - **Over \$23,750,000 but less than or equal to \$57,080,000.**
State aid is \$1,000,000 plus 3% of the difference between the project cost and \$23,750,000.
(Maximum state aid of \$2,000,000, if maximum project cost of \$57,080,000).
Mathematical Formula: $\$1,000,000 + 0.03(\text{Project Cost} - \$23,750,000) = \text{state aid}$
 - **Over \$57,080,000 but less than or equal to \$107,080,000.**
State aid is \$2,000,000 plus 2% of the difference between the project cost and \$57,080,000.
(Maximum state aid of \$3,000,000, if maximum project cost of \$107,080,000).
Mathematical Formula: $\$2,000,000 + 0.02(\text{Project Cost} - \$57,080,000) = \text{state aid}$
 - **Over \$107,080,000.**
State aid is the lesser of \$4,000,000 OR \$3,000,000 plus 1% of the difference between the project cost and \$107,080,000.
(Maximum state aid of \$4,000,000).
Mathematical Formula: $\$3,000,000 + 0.01(\text{Project Cost} - \$107,080,000) = \text{state aid}$, if less than \$4,000,000. If the result is more than \$4,000,000, then state aid is capped at \$4,000,000.
10. The Commission will review these projects on a case-by-case basis to determine the level of state funding participation. Planned construction projects will not to be broken out into numerous projects, or phases, for the purpose of receiving additional state funds.

C. Criteria Utilized in Determining State Funding for Non-AIP Projects

1. State/Local construction projects for minimum airport facilities, which may be necessary to comply with basic service or small GA airport requirements or State Licensing Standards, are eligible for 75% State participation.
2. The maximum funding amounts available for said construction projects is \$75,000. State participation funds for any one airport and for any one planned construction project that addresses the needed specific basic service. Planned construction projects will not be broken out into numerous projects, or phases, for the purpose of receiving additional state funds.
3. Preventive maintenance projects at GA airports are eligible for 50% State participation. The maximum funding for these projects shall also be capped at \$75,000 of state funding.
4. Airport weather cameras will be funded at 75%.

D. Operational Procedures for State Funding

1. State funding for a federally participating project may be approved by the Aeronautics Commission. The grant increase shall be limited to the same percentage increase as the federal grant increase. If, for some reason, the federal share increase cannot be obtained or is partially funded, the State increase may be limited to the same percentage. No State increase will be allowed until all costs have been incurred and the project is ready for closeout. State grant increase will be approved by the Aeronautics Commission. All other state financial assistance agreements are not eligible for a grant increase unless approved by the Aeronautics Commission.
2. Political subdivisions may use locally allocated State fuel tax funds to match State participation on approved projects.

E. Aviation Fuel Tax Allocation Formula

1. The six cents per gallon tax on AvGas is allocated as follows:

<u>Amount</u>	<u>Recipient</u>
\$0.025	State Aeronautics Fund
\$0.0027	Wholesaler Allowance for Shrinkage
\$0.0323	Allocated to the Airport from which the Fuel was Sold

2. The four cents per gallon tax on Jet Fuel is allocated as follows:

<u>Amount</u>	<u>Recipient</u>
\$0.02775	State Aeronautics Fund
\$0.0005	Wholesaler Allowance for Shrinkage
\$0.01175	Allocated to Air Carrier Airports based on Number of Airline Departures this is Separately Calculated for Each Commercial Airline. In case of non-airline jet fuel sales, the \$0.01175 is allocated to the airport where the fuel was purchased.

The fuel excise tax rates for taxes imposed pursuant to South Dakota Codified Law (SDCL) Ch. 10-47B are detailed in SDCL 10-47B-4.

Updated as of 9/14/26

AERONAUTICS FUND PROJECTIONS EXCLUDING CITY ALLOCATION

