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CHAPTER 1 KEY PRINCIPLES OF THE AIP

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33 **Chapter 1, Key Principles of the AIP**, outlines the overarching policies governing the Airport
 34 Improvement Program (AIP) including:

- 35 ▪ Statutory overview and authorities;
- 36 ▪ Grant sponsorship;
- 37 ▪ How airports are discussed in this Order;
- 38 ▪ Funding for airport development and the different categories of AIP funding;
- 39 ▪ Programs within the AIP; and
- 40 ▪ Related programs.

41 1-1. OVERVIEW

42 Since 1982, the Airport Improvement Program (AIP) has been the predominant Federal airport
 43 development grant funding mechanism used to achieve national policies. The laws pertaining to the AIP
 44 are codified in Title 49 of the United States Code (the AIP statute). In addition, other laws may apply to
 45 the implementation of the program. In some limited cases, provisions in annual appropriations
 46 legislation may also include specific program limitations or requirements. Although Federal law tasks the
 47 responsibilities contained in Title 49 to the Secretary of Transportation, the administration of the AIP has
 48 been delegated to the Federal Aviation Administration (FAA). The delegation of authority to the modes,
 49 with regard to grant programs, is consistent across the Department of Transportation (DOT).

50 1-1.1. FUNDING PRIORITIES

51 [Title 49 U.S.C. § 47101](#) defines the highest priority of airport development as the safe operation of the
 52 airport and airway system. Other priorities include, but are not limited to, preventing runway incursions,
 53 minimizing current and projected noise impacts on nearby communities, and supporting the
 54 development of various types of airports. The AIP statute outlines the United States' national
 55 transportation policy which includes:

56 It is the goal of the United States to develop a national intermodal transportation system
 57 that transports passengers and property in an efficient manner. The future economic
 58 direction of the United States depends on its ability to confront directly the enormous
 59 challenges of the global economy, declining productivity growth, energy vulnerability, air
 60 pollution, and the need to rebuild the infrastructure of the United States. [49 U.S.C.
 61 § 47101(b)(1)]

62 1-1.2. FAA'S APPROACH TO TRANSPORTATION PLANNING

63 The FAA understands the important role it plays in affecting U.S. transportation policy and cooperates
 64 with state and local officials to develop airport plans and programs that are based on overall
 65 transportation needs. In addition, [49 U.S.C. § 47103](#) directs the FAA to maintain a plan for developing
 66 public-use airports in the U.S. The [National Plan of Integrated Airport Systems \(NPIAS\)](#) includes the kind
 67 and estimated cost of eligible and justified airport development the FAA considers necessary to:

- 68 • Provide a safe, efficient, and integrated system of public-use airports adequate to anticipate and
 69 meet the needs of civil aeronautics;
- 70 • Meet the national defense requirements of the Secretary of Defense; and
- 71 • Meet identified needs of the United States Postal Service.

72 This holistic approach to transportation planning, based on national transportation policies, drives the
 73 FAA's exercise of its grant authority. The AIP statute, at [49 U.S.C. 47104](#), grants the FAA authority to make
 74 project grants to maintain a safe and efficient nationwide system of public-use airports that meets the
 75 present and future needs of civil aeronautics. While the AIP statute outlines general requirements
 76 related to incurring obligations, the FAA also has a fiduciary responsibility to pursue broader national
 77 policies and priorities in its administration of the AIP.

78 1-2. AIP GRANT AUTHORITY

79 The FAA may only fund AIP projects if it has the authority to do so under the AIP statute. This is not a
 80 concept exclusive to the AIP; this rule stems from Federal appropriations law which applies to Federal
 81 agencies. The AIP statute does not require the FAA to fund certain projects, but it does give the agency
 82 discretion to fund projects that are in compliance with the law, eligible, and justified. Airports are not
 83 required to construct some or all of the projects that are allowed under the AIP statute. The AIP statute
 84 grants permission for airports to apply for funding for the allowed projects, but doing so is not
 85 mandatory. If an airport chooses to construct such a project, and applies under the AIP, and if the FAA
 86 determines that a project is eligible and justified at that airport, then the FAA may fund the proposed
 87 project in whole or in part.

88 In rare circumstances, the AIP statute identifies specific nonallowable costs. Nonallowable airport
 89 development costs are discussed in [Chapter 2, Eligibility & Justification](#), and the appendices.

90 1-2.1. PRIORITIZING GRANTS

91 The FAA prioritizes grants based on criteria in the AIP statute. As stated in [49 U.S.C. § 47120](#), priority may
 92 be given to projects that are consistent with an integrated airport system plan. With regard to
 93 noncompetitive discretionary grants, the AIP statute requires the FAA to discourage grant sponsors from
 94 using apportioned funds for lower priority projects and then seeking discretionary funding for higher
 95 priority projects.

96 Project eligibility and justification are explained in detail in [Chapter 2](#) of this Order. The FAA may approve
 97 sponsors' grant applications to fund the Federal share – a percentage of the grant sponsor's allowable
 98 costs – that are eligible and justified. Allowable costs are limited to specific criteria stated in the AIP
 99 statute and further addressed in [Chapters 2](#) and [3, Grant Prerequisites](#). Project-specific costs are
 100 included in the applicable appendices of this Order. Prior to approving a grant application, the FAA must
 101 be satisfied that a project meets specific criteria. These criteria are discussed further in [Chapters 3](#) and [4,](#)
 102 [Grant Management Process](#).

103 1-3. GRANT RECIPIENTS

104 Grants are made to grant sponsors [[link to airport sponsors page](#)] to carry out airport planning and
 105 airport development, as defined in the AIP statute, and airport noise compatibility planning and
 106 programs. The AIP statute specifies the types of entities that may serve as a grant sponsor. As defined in
 107 [49 U.S.C. § 47102](#), a grant sponsor is a public agency that submits a grant application for financial
 108 assistance to the FAA. Public agencies are defined as:

- 109 • A State, including U.S. territories, or a political subdivision of a State;
- 110 • A tax-supported organization;
- 111 • An Indian tribe or pueblo; and
- 112 • The Republic of the Marshall Islands, Federated States of Micronesia, and Republic of Palau.

113 In some cases, the owner of a privately-owned airport may serve as a grant sponsor. Absent participation
114 in the Airport Investment Partnership Program (discussed further below), this is limited to privately-
115 owned airports that serve as a reliever airport in the NPIAS or have at least 2,500 passenger boardings
116 each year and receive scheduled passenger service.

117 A grant recipient, either a sponsor or a State, is an entity that receives AIP funding. The FAA works with a
118 variety of qualified airport sponsors to pursue the United States' national transportation policy. The
119 different types of airport sponsors ensure the AIP can support a wide range of projects and initiatives,
120 ultimately contributing to the improvement and efficiency of the national aviation system.

121 1-3.1. SPONSOR QUALIFICATION CRITERIA

122 Prior to issuing an AIP grant, the ARP Field Office must determine that the sponsor is able to assume the
123 responsibilities defined in the grant. Information on the qualification criteria for the different types of
124 airport sponsors is available here [[link to sponsor qualification page](#)]. A determination on the
125 qualifications of a new airport sponsor may require coordination with the Office of Airport Compliance
126 and Management Analysis (ACO).

127 1-4. AIRPORTS DISCUSSED IN THIS ORDER

128 The AIP statute, at [49 U.S.C. § 47102](#), defines what constitutes an airport. An airport, which includes a
129 heliport, means:

- 130 • An area of land or water used or intended to be used for the landing and taking off of aircraft;
- 131 • The area used or intended to be used for airport buildings or other airport facilities or rights of
132 way; and
- 133 • Airport buildings and facilities located in any of those areas.

134 The AIP statute refers to airports in many different ways. Airports can be described by their ownership,
135 the type or scope of service they provide, and other special categories. More information about the
136 different types of airports described in the law is available here [[link to airport categories landing page](#)].
137 Grant sponsors may seek financial assistance from the FAA for public-use airports included in the current
138 NPIAS.

139 1-5. FUNDING FOR AIRPORT DEVELOPMENT

140 Established in 1970, the [Airport and Airway Trust Fund \(AATF\)](#), also known as the Aviation Trust Fund,
141 helps finance the FAA's investments in the airport and airway system and is the AIP's primary source of
142 airport development funding. While authorizing legislation grants the FAA the legal authority to make
143 grants from the AATF, the authority to spend any revenues allocated from the AATF must be reauthorized
144 periodically through congressional action on appropriations legislation. In addition, the annual
145 appropriations law may contain provisions that impact the funding distribution calculation of the AIP.

146 1-5.1. CALCULATING THE AIP FUNDING DISTRIBUTION

147 In developing the funding distribution calculation of the AIP, the FAA:

- 148 • Apportions current fiscal year funds once appropriated, and
- 149 • Credits the remaining amounts to the noncompetitive discretionary fund, including the special
150 apportionment categories described in the law.

151 Amounts apportioned to grant sponsors in a fiscal year may be carried over to the next fiscal year,
 152 provided the funds remain available as apportionments. The FAA may credit the funds carried over in a
 153 fiscal year to the noncompetitive discretionary fund. Amounts carried over may be restored to grant
 154 sponsors, subject to the period of availability, when sufficient funds are made available under the AIP.

155 If the noncompetitive discretionary fund does not have a minimum of \$148 million, the FAA may reduce
 156 specified apportionments by equal amounts. The FAA may also add an amount equal to one-third of the
 157 prior year carried over apportionment funds out of the anticipated amount of current year
 158 apportionment funds that it anticipates sponsors may carry over.

159 As a result, when Congress does not pass the FAA’s appropriations bill on or before October 1, and the
 160 FAA is operating under a continuing resolution, operating under an existing authorization without a
 161 continuing resolution, or is shut down due to a lack of appropriations, finalizing the funding distribution
 162 calculation for the AIP may be challenging. While some apportionment funding can be planned, limited
 163 or partial programs pose implementation challenges for both the FAA and grant sponsors.

164 When the FAA has both authorizing authority and appropriations, a final funding distribution calculation
 165 for the fiscal year’s AIP can be developed. Because additional programs are funded from the AIP’s
 166 appropriated level, the amounts for these programs are deducted to establish the amount available for
 167 apportionments. The amount available for apportionments is the appropriated AIP level less additional
 168 program funding. For example:

169 **TABLE 1-5.1. CALCULATING THE AMOUNT AVAILABLE FOR APPOINTMENTS**

Fiscal Year (FY) 2026 AIP Appropriated Level	\$4,000,000,000
Small Community Air Service Development Program	\$15,000,000
Administration of the AIP	\$160,000,000
Airport Technology Research Program	\$41,827,000
Airport Cooperative Research Program	\$15,000,000
Amount Available for Apportionments	\$3,768,173,000

170 **1-5.2. AIP GRANT CATEGORIES**

171 From the amounts available for apportionments, the FAA completes its funding distribution calculation,
 172 which includes:

- 173 • Apportionments – funding that is calculated using formulas contained in [49 U.S.C. § 47114](#) and
 174 provided to airport sponsors, States, and qualifying public agencies (some apportionments are
 175 referred to as entitlement funding);
- 176 • Noncompetitive Discretionary Fund – funding the law directs to special categories of airport
 177 development and grants that the FAA considers most appropriate to achieve airport
 178 improvement priorities; and
- 179 • Small Airport Fund – a separate funding category available only to Small Hub [[link to small hub](#)
 180 [page](#)], Nonhub [[link to nonhub page](#)] and all nonprimary airports [[link to airport types landing](#)
 181 [page](#)] eligible to receive apportionments.

182 The AIP statute requires amounts to be apportioned based on the formulas as soon as funds are made
 183 available, which are subject to annual appropriations. More information on the different categories of
 184 AIP funding is available here [[link to AIP funds landing page](#)].

185 1-5.3. "NONCOMPETITIVE" DISCRETIONARY FUND

186 Although the AIP statute references a "discretionary fund," these grants are considered noncompetitive
187 because they are not openly competed as discussed in [Title 2 of the Code of Federal Regulations Part](#)
188 [200. Public Law 118-63, in section 747](#), explicitly exempts the AIP from any public notice
189 of funding opportunity (NOFO) requirement.
190

191 1-6. AIP GRANT AGREEMENTS

192 AIP grant agreements state the obligations to be assumed by the grant sponsor and the maximum
193 amount the FAA will contribute to the project. The FAA's share of a project's allowable costs may vary
194 based on factors which include the type of airport [[link to airport categories landing page](#)] at which the
195 work will occur, the grant recipient [[link to airport sponsors page](#)], the type of AIP funding used [[link to](#)
196 [AIP funds landing page](#)], the project itself, and other specific circumstances outlined in the AIP statute.

197 An offer that is accepted in writing by the sponsor is a binding agreement between the FAA and the
198 grant sponsor. The FAA may pay or be obligated to pay a project cost only after a grant agreement for the
199 project is signed. Under some circumstances, as outlined in the AIP statute, costs incurred by the grant
200 sponsor prior to the execution of the grant agreement may be allowable. This is discussed further in
201 [Chapter 2](#) of this Order. In addition, [Chapter 4](#) discusses grant management.

202 1-7. PROGRAMS WITHIN THE AIP

203 1-7.1. STATE BLOCK GRANT PROGRAM (SBGP)

204 The AIP statute permits the FAA to designate up to 20 states each fiscal year to assume administrative
205 responsibilities and associated program implementation for AIP grants for the nonprimary airports in
206 their respective state. These administrative responsibilities are specifically defined in the SBGP
207 Memorandum of Agreement (MOA), which each SBGP state must enter into with the FAA to qualify for
208 grants under the SBGP. More information about the SBGP, including the participating states and current
209 MOA, is available [here](#).

210 1-7.2. AIRPORT INVESTMENT PARTNERSHIP PROGRAM (AIPP)

211 The AIPP allows airport sponsors to explore privatization, through the lease or sale of an airport, as a
212 means to generate access to sources of private capital for airport improvement and development. The
213 AIP statute permits limited AIP grant funding to be used for predevelopment planning costs that may be
214 associated with applying to this program. More information about this program is available [here](#).

215 1-7.3. MILITARY AIRPORT PROGRAM (MAP)

216 The AIP statute permits the FAA to designate up to 15 airports to participate in the MAP. This designation
217 allows the FAA to issue AIP grants to the civil sponsors of military airfields for the development of
218 aviation facilities for the public. It also assists new airport sponsors with converting former military
219 airfields to public-use to add system capacity and reduce congestion at existing airports experiencing
220 significant delays. Airports participating in the MAP may compete for the MAP special discretionary
221 apportionment funding [[link to MAP funding page](#)] and use AIP grants for some costs that would
222 otherwise be nonallowable. More information about MAP is [here](#).

223 1-7.4. LETTERS OF INTENT (LOI)

224 An LOI states the FAA’s intention to obligate, from future budget authority, a specified dollar amount
 225 for future airport development at a primary or reliever airport. While not considered an obligation of the
 226 government or an administrative commitment of financing, an LOI outlines the schedule under which
 227 the FAA will reimburse the grant sponsor for the government's share of allowable project costs as
 228 amounts become available. Projects carried out under an LOI must comply with the FAA’s statutory
 229 and administrative requirements.

230 The FAA is authorized to issue LOIs to fund airport development projects aimed at enhancing or
 231 preserving capacity. LOI scheduled payments are based on future appropriations and require sponsors to
 232 adhere to rules on using airport apportionments and discretionary funds. The FAA cannot mandate
 233 Passenger Facility Charges (PFCs) as a funding condition. Projects remain eligible for discretionary funds
 234 even if an airport's status changes. Interest costs from bonds or other debts are not reimbursable.

235 **TABLE 1-7.4. LOI PROJECT CRITERIA BY AIRPORT TYPE**

Airport Type	Criteria
Large and Medium Hub*, Small Hub, Nonhub, and Reliever Airports	<p>Capacity Enhancing Projects:</p> <ul style="list-style-type: none"> ▪ Airfield Capacity: Projects must increase airfield capacity by enabling increases in aircraft operations with improved runway capacity as measured by expected increases in called rates or reductions in runway occupancy time, additional runway length or width to enable use by more capable (larger) aircraft with more seats, cargo capacity, or trip distance (including a more demanding runway designation code or RDC), or reducing airfield delays. ▪ Supporting Infrastructure: Include only AIP-eligible infrastructure essential for completing the LOI project. Sometimes logically necessary additions, like extending a parallel taxiway with a runway extension, are included. ▪ Non-Supporting Infrastructure: Avoid components that are not essential for the LOI project's completion or benefits. ▪ Aprons: New aprons must increase capacity. These projects are less favored than runways or taxiways. Apron projects due to terminal changes rarely qualify. ▪ System Capacity*: ARP Headquarters must determine that the project will significantly enhance system-wide airport capacity. Large hub airports must demonstrate that the capacity benefits are measurable and significant. ▪ Ineligible Projects*: Projects solely extending pavement life do not meet LOI new capacity requirements. ▪ Eligible Reconstruction*: Must enhance capacity by increasing called rates, payload (seats, cargo, trip distance), or reducing delays or dependencies such as eliminating intersecting runways.
New Airports:	<ul style="list-style-type: none"> ▪ Additional Capacity Considerations: Must provide net runway capacity gain to fulfill unmet civil aeronautical needs in consideration of the facility’s role relative to other airports.

236 * These criteria are applicable only to Large and Medium Hub airports.

237 These criteria inform the expected benefit of proposed projects on airport operational capacity and
 238 overall system wide efficiency. More information about LOIs, including small airport LOIs (SALOIs) is
 239 available [here](#).

240 1-7.5. INNOVATIVE FINANCE PROGRAM

241 The FAA may approve AIP grants for innovative financing techniques related to an airport development
 242 project. The purpose of these grants is to provide information on the benefits and difficulties of using
 243 innovative finance techniques for airport development projects, to lower the total cost of an airport
 244 development project, or to expedite the delivery or completion of an airport development project
 245 without reducing safety or causing environmental harm.

246 The program is open to all airports except Large Hubs, and a maximum of 30 airport development
 247 projects can be approved per fiscal year. Allowable innovative finance techniques under the program are
 248 limited to:

- 249 ▪ Payment of interest;
- 250 ▪ Commercial bond insurance and other credit enhancements associated with airport bonds for
 251 eligible airport development;
- 252 ▪ Flexible non-Federal matching requirements;
- 253 ▪ Use of primary apportionments, nonprimary commercial service apportionments, cargo
 254 apportionments, general aviation airport apportionments, the Alaska supplemental, and state
 255 apportionments to pay principal and interest for terminal development costs incurred before
 256 December 12, 2003; and
- 257 ▪ Any other techniques the FAA determines are consistent with the program's purposes.

258 The implementation of any of these techniques cannot be used in a manner giving rise to a direct or
 259 indirect guarantee of any airport debt instrument by the Federal Government.

260 1-7.6. PILOT PROGRAM FOR THE PURCHASE OF AIRPORT DEVELOPMENT RIGHTS

261 The FAA has developed a pilot program that permits a state or a political subdivision of a state to
 262 purchase the development rights associated with or directly affecting the use of a privately-owned
 263 public-use airport in the same state as the grant sponsor. The rights purchased must ensure the airport
 264 property continues to be used as a public airport in perpetuity and requires the grant sponsor to obtain
 265 an easement or other appropriate covenant. The AIP statute limits the funding available for this pilot
 266 program to apportionment funds, and the grant may not exceed 90 percent of the costs of developing
 267 the rights. Participation in this pilot program is limited to 10 airports.

268 1-7.7. OTHER AIP PILOT PROGRAMS

269 Other AIP pilot programs may be established by statute. For more information about the current pilot
 270 programs that exist within the AIP, see [Appendix J, Pilot Programs](#).

271 1-8. RELATED PROGRAMS

272 1-8.1. AIRPORT SAFETY AND RESILIENT INFRASTRUCTURE DISCRETIONARY PROGRAM (ASRID)

273 In 2018, the U.S. Congress authorized supplemental discretionary funding for airport development. This
 274 section of the AIP statute was further amended in 2024 and is now referred to as ASRID. ASRID

275 authorizes additional funding for limited airport development at any airport eligible to receive
276 noncompetitive discretionary funding. More information about [ASRID](#) is available [here](#).
277

278 1-8.2. CONGRESSIONALLY DIRECTED SPENDING (CDS) / COMMUNITY PROJECT FUNDING (CPF)

279 As part of the annual appropriations process, additional, non-AIP funding may be appropriated for
280 specific airports for airport development projects. These projects, sometimes referred to as “earmarks,”
281 have historically been funded by the General Fund and not the [AATF](#). Unless otherwise explicitly noted in
282 the appropriations law CDS/CPF spending is subject to the same eligibility and justification requirements
283 as outlined in the AIP statute.

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