



CHAPTER 2 – ELIGIBILITY AND JUSTIFICATION

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64 **Chapter 2, *Eligibility and Justification***, addresses the statutory and regulatory provisions for eligibility,
65 justification, and cost reasonableness related to implementing AIP projects. This chapter builds on the
66 principles outlined in [Chapter 1, *Key Principles of the Airport Improvement Program*](#), and provides
67 guidance for evaluating projects in accordance with statutory requirements. Specific requirements for
68 these determinations are described in more detail in the applicable project appendix.

69 This chapter establishes the framework for understanding:

- 70 ▪ Project eligibility;
- 71 ▪ Project justification; and
- 72 ▪ Assessment of allowable, necessary, and reasonable project costs.

73 **2-1. OVERVIEW**

74 With the enactment of the Airport and Airway Improvement Act of 1982 (AAIA), Congress established
75 that the FAA’s highest aviation priority is the safe operation of the airport and airway system. Congress
76 further directed the FAA undertake construction and improvement projects

77 “...that increase the capacity of facilities to accommodate passenger and cargo
78 traffic...to the maximum feasible extent so that safety and efficiency increase and
79 delays decrease”; and

80 “...provide for the protection and enhancement of natural resources and the
81 quality of the environment.” [49 U.S.C. § 47101(a)(7)-(8)]

82 **2-1.1. AIP STATUTORY ELIGIBILITY**

83 If the AIP statute does not provide the authority to fund an action or an item, that action or item cannot
84 be funded using AIP.

85 An airport is not required to construct some or all of the items that are allowed under AIP but may do
86 so, provided the FAA determines the items are eligible and justified at that airport.

87 **2-1.2. ORDERS VERSUS ADVISORY CIRCULARS**

88 The FAA issues orders that are binding on FAA personnel and contain mandatory instructions and
89 directives for staff making grant programming decisions. The FAA develops Advisory Circulars (ACs) to
90 provide a single, uniform, agency-wide system to deliver advisory materials to external stakeholders,
91 including airport sponsors. ACs cover a broad range of topics, including those related to airport design,
92 construction, and equipment standards.

93 For Federally obligated airports in the National Plan of Integrated Airport Systems (NPIAS), certain ACs,
94 specifically those in the 150 series, require mandatory compliance under [airport sponsor assurance 34,
95 Policies, Standards, and Specifications](#). However, in many instances, the information contained in ACs
96 exceeds what is justified under the AIP.

97 This Order contains instructions and directives for FAA personnel determining project eligibility and
98 justification. It also instructs on how to determine proper scope and allowable project costs.

99 2-1.3. AIP AND PFC ELIGIBILITY DIFFERENCES

100 Although closely related, there are differences in project eligibility between the AIP and the [Passenger](#)
 101 [Facility Charge](#) (PFC) programs. PFC offers expanded eligibility in certain areas. These differences are
 102 discussed in the current version of [FAA Order 5500.1, Passenger Facility Charge](#).

103 2-2. ELIGIBILITY

104 The AIP statute identifies the general types of projects that may be funded with AIP: airport planning,
 105 airport development, equipment acquisition, noise compatibility planning, and noise compatibility
 106 projects.

107 The statutory definition of airport development found at 49 U.S.C. § 47102 includes certain eligible
 108 project types that may be undertaken by the public sponsor (owner or operator) of a public-use airport,
 109 and, in some cases, private sponsors. Only projects that are eligible may be funded by AIP grants.
 110 However, the statute does not provide a comprehensive list of eligible projects but rather provides
 111 broad categories of projects that may be funded if the FAA determines the specific projects are both
 112 eligible and justified, as discussed in [Section 2-1.1, AIP Statutory Eligibility](#).

113 Eligible projects align with statutory project categories, including construction, routine work, also known
 114 as maintenance, rehabilitation, and reconstruction. Since these terms are used within the appendices,
 115 they are defined in Table 2-2.1, Differences Between Construction, Routine Work, Rehabilitation, and
 116 Reconstruction Projects. Refer to the specific appendices for additional eligibility requirements and
 117 necessary clarification of these terms as they pertain to the applicable project.

118 **TABLE 2-2.1. DIFFERENCES BETWEEN CONSTRUCTION, ROUTINE WORK, REHABILITATION, AND RECONSTRUCTION**
 119 **PROJECTS**

Term	Definition
Construction	Construction includes the acquisition, installation, or construction of facilities or equipment that are specifically new to the airport. It also includes expanding, extending, improving, and modifying facilities and equipment, including, but not limited to, Aircraft Operational Surfaces (AOS) or airfield lighting and control and monitoring systems.
Routine Work	Routine work includes regular or recurring maintenance necessary to preserve existing airport facilities or equipment in good condition, any work involved in the care or cleaning of existing airport facilities or equipment, and any incidental or minor repair work on existing facilities or equipment. Minor repair is a stopgap measure to keep the facility or equipment operational until a rehabilitation or reconstruction project is funded.
Rehabilitation	Rehabilitation is a more comprehensive restoration or preservation of the facility or equipment to extend its useful life prior to reconstruction.
Reconstruction	Reconstruction is the replacement or complete restoration to original functionality of a facility or equipment. Reconstruction restarts the useful life of a facility or a piece of equipment.

120 **2-2.1. UNCLASSIFIED AIRPORTS ELIGIBILITY LIMITATIONS**

121 Airports that are listed in the current NPIAS report with limited activity are designated as unclassified
 122 airports. Per [49 U.S.C. § 47106](#), project eligibility is limited at unclassified airports. These projects can
 123 only be funded with state apportionment funds. To be considered for AIP funding, eligible projects at
 124 unclassified airports must also meet justification requirements, which are further described in this
 125 chapter and in the applicable project type appendix. ARP Field Office approval is required for all projects
 126 at unclassified airports. Refer to Table 2-2.2, Eligible Unclassified Airport Projects, for eligible projects
 127 and requirements or limitations.

128 **TABLE 2-2.2. ELIGIBLE UNCLASSIFIED AIRPORT PROJECTS**

Effort	Requirement / Limitation
Maintenance of the pavement of the primary runway	Refer to Appendix B, Aircraft Operational Surfaces , for specific requirements.
Obstacle removal or obstruction mitigation for the primary runway	<ul style="list-style-type: none"> ▪ One time effort only. Refer to Table 2-3.17, Examples of Prohibited Projects and Costs. ▪ Refer to Appendix C, Airfield Infrastructure, for additional requirements.
Rehabilitation of the primary runway	Refer to Appendix B, Aircraft Operational Surfaces , for specific requirements.
A project that the FAA considers necessary for the safe operation of the airport	A project under this category requires ARP Field Office approval. Refer to applicable project appendix for additional requirements.

129 **2-2.2. DISASTER RECOVERY ELIGIBILITY LIMITATIONS**

130 AIP statutory authority does not encompass recovery grant funding eligibility but rather authorizes AIP
 131 funding for airport planning and development projects pursuant to an Airport Capital Improvement Plan
 132 (ACIP). The FAA does not interpret any statute as providing the FAA with statutory authority to fund
 133 disaster recovery, except for the FAA’s ability to fund runway safety area repairs in certain
 134 circumstances pursuant to [49 U.S.C. § 47144](#).

135 Planning and development of projects aimed at preventing damage and investing in improvements is
 136 permitted under [49 U.S.C. § 47102](#). This is limited to primary airports and certain nonprimary airports
 137 designated by the Federal Emergency Management Agency (FEMA). These projects focus on efforts that,
 138 if in place prior to a disaster, would facilitate the resumption or sustainment of operations, rather than
 139 reacting to an immediate emergency. [Appendix K, Planning](#), discusses how these proactive planning
 140 efforts can be incorporated into a master plan.

141 **2-3. JUSTIFICATION**

142 Justification is a needs-based determination delegated to the FAA by statute. Per [49 U.S.C. § 47103](#), the
 143 FAA must maintain a plan identifying the kind and estimated costs of eligible airport development the

144 FAA considers necessary (needed) to provide a safe, efficient, and integrated system of public use
 145 airports adequate to anticipate and meet the needs of civil aeronautics, to meet the national defense
 146 requirements of the Secretary of Defense, and to meet identified needs of the United States Postal
 147 Service.

148 To fulfill this requirement, the FAA uses [Order 5090.5, Formulation of the National Plan of Integrated](#)
 149 [Airport Systems \(NPIAS\) and the Airports Capital Improvement Plan \(ACIP\)](#), to manage two key tools:

- 150 ▪ The National Plan of Integrated Airport Systems (NPIAS), and
- 151 ▪ The Airport Capital Improvement Plan (ACIP).

152 While the NPIAS identifies all eligible and justified airport development project needs across the
 153 country, the ACIP serves as the FAA’s primary tool to prioritize and fund these projects. Together, these
 154 frameworks ensure that Federal investments directly support justified needs.

155 The FAA may issue project grants only to those projects that meet the present and future needs of civil
 156 aeronautics per [49 U.S.C. § 47104](#). Further, [49 U.S.C. § 47110](#) limits the FAA’s authority to pay costs
 157 incurred in carrying out a project to those costs that the FAA determines are allowable and reasonable.

158 This section includes various subsections that outline the key factors that compromise project
 159 justification. These factors include determining the need and scope of projects, ensuring minimum
 160 useful life requirements are met, and evaluating the impact of critical aircraft. Additionally, as part of
 161 establishing project justification, FAA personnel assess safety and security, conduct a benefit cost
 162 analysis ([BCA](#)) if necessary, and assess project costs to ensure that they are allowable. Each sub-section
 163 provides a structured approach to ensure projects align with Federal requirements and effectively
 164 support the goals of the AIP.

165 2-3.1. DETERMINING JUSTIFICATION

166 To be justified, projects must advance at least one of the AIP policies contained in [49 U.S.C. § 47101](#).
 167 Project specific justification requirements are discussed or referenced in the appendix associated with
 168 the applicable project.

169 **TABLE 2-3.1. REQUIREMENTS TO DETERMINE IF A PROJECT IS JUSTIFIED**

Requirement	Supported By
Project Advances an AIP Policy	The stated, statutory AIP policy objectives include advancing airport safety, security, and capacity; meeting FAA standards; preserving airport infrastructure through reconstruction or rehabilitation; protecting and enhancing the environment; reducing energy consumption and air pollution; minimizing aircraft noise impacts; and airport planning. AIP funds must not be used for a project that does not specifically advance one of the statutory AIP policies.
Actual Need	The ARP Field Office must determine if there is an actual need for the project and a timeframe for the need. This information is derived from locally prepared planning documents, such as airport master plans, state system plans, and capital improvement plans. Additional information regarding planning for eligible AIP projects can be found in FAA Order 5090.5 .

Requirement	Supported By
Project Scope is Appropriate	The ARP Field Office must determine that only the elements required to obtain the full benefit of the project are included in the scope. These elements are considered necessary to complete the project. Elements that are not necessary to complete the project may be completely independent or may be considered related or incidental. These elements must be eligible and justified separately based upon their own merits. Further information on necessary work components and on related or incidental efforts can be found in FAA Order 5090.5 .

170 2-3.2. MINIMUM USEFUL LIFE

171 Minimum useful life requirements are provided in the appendices with each type of project. If none is
 172 provided, the following applies to the effort.

173 **TABLE 2-3.2. MINIMUM USEFUL LIFE – UNLESS LISTED IN APPENDICES**

Effort	Minimum Useful Life		
	Construction (Starts useful life)	Reconstruction (Restarts useful life)	Rehabilitation (Extends useful life)
Development or Construction	Twenty (20) years	Twenty (20) years since initial construction or last reconstruction	Ten (10) years since initial construction, last reconstruction, or last rehabilitation
Equipment and Vehicles	Ten (10) years	Ten (10) years since initial construction or last reconstruction	Five (5) years since initial construction, last reconstruction, or last rehabilitation
Buildings - Concrete	Forty (40) years	Forty (40) years since initial construction or last reconstruction	Twenty (20) years since initial construction, last reconstruction, or last rehabilitation
Buildings – Other Than concrete	Twenty (20) years	Twenty (20) years since initial construction or last reconstruction	Ten (10) years since initial construction, last reconstruction, or last rehabilitation

174 As a condition of project justification, the minimum useful life of the facility or equipment being
 175 rehabilitated or reconstructed must have been met. See Table 2-3.3, Useful Life Considerations, for
 176 additional details on how to calculate the useful life of an AIP-funded project.

177 **TABLE 2-3.3. USEFUL LIFE CONSIDERATIONS**

Useful Life Starting Date
<ul style="list-style-type: none"> ▪ For development or construction: useful life begins on the grant execution date for initial construction effort, and

- **For equipment and vehicles:** useful life begins on equipment or vehicle acquisition grant closeout date.

Useful Life and Grant Assurances

- The 40-year useful life of buildings in Table 2-3.2, Minimum Useful Life – Unless Listed in Appendices, does not extend grant assurance obligations for grants to construct buildings beyond 20 years, in accordance with Section B(1) of the [airport sponsor assurances](#).

178 If the facility or equipment for which a sponsor seeks AIP funding has not achieved its minimum useful
179 life, the ARP Field Office must determine the following to support project justification:

- 180 ▪ Whether the facility or equipment was properly maintained;
- 181 ▪ Whether it deteriorated due to a natural disaster;
- 182 ▪ Whether it deteriorated due to construction flaws, including design and engineering;
- 183 ▪ If it must be expanded or improved to meet standards; and
- 184 ▪ Whether the existing condition contributes to documented safety determinations.

185 Meeting or exceeding useful life does not fully justify rehabilitation or reconstruction (replacement) but
186 rather allows the project to proceed for further consideration. Further consideration must include
187 determining if the facility or equipment is no longer functional or maintainable due to circumstances
188 beyond the sponsor's control.

189 If the facility or equipment that has met or exceeded its useful life is performing, or is reasonably
190 expected to continue performing, as intended without extenuating circumstances, the project is not
191 justified.

192 If the facility or equipment has met or exceeded its useful life and is not performing as intended, the
193 project is justified. Examples of not performing as intended include, but are not limited to, documented
194 outages, obsolete parts, or numerous maintenance efforts.

195 2-3.3. USE OF CRITICAL AIRCRAFT JUSTIFICATION

196 For some projects, the ARP Field Office must determine if a project is justified based on the applicable
197 critical aircraft for the project. More than one critical aircraft may control the design of any specific
198 airport's different facility features, such as runway length, strength of paved areas, taxiway fillet design,
199 or lateral separations in airfield layout. The ARP Field Office must use the current version of [AC](#)
200 [150/5000-17, Critical Aircraft and Regular Use Determination](#), to determine the critical aircraft for
201 specific projects. For funding purposes, it is FAA policy per OMB budget augmentation rules that the
202 regular use requirement for critical aircraft must not include military or Federally-owned aircraft for an
203 AIP or PFC project.

204 For certain projects, the ARP Field Office has the option to determine whether a project is justified
205 based on existing activity at the airport or activity that is projected to be at the airport within the next
206 five years. The ARP Field Office has the option to request the sponsor submit letters of support from
207 flight operators if the justification is based on future activity within this timeline. The letters must
208 describe the airport user's plans or anticipated activity by aircraft type as an input into the
209 determination of the critical aircraft.

210 2-3.4. SAFETY AND SECURITY PROJECT JUSTIFICATION

211 Undertaking a project for safety or security requires additional review by the ARP Field Office to ensure
212 the project meets safety or security-specific justification requirements. Additional requirements for
213 specific projects are found in the applicable appendix.

214 TABLE 2-3.4. SAFETY PROJECT JUSTIFICATION

Safety projects must...
▪ Address a safety deficiency identified by a Part 139 violation;
▪ Be documented as a needed runway incursion prevention measure (<i>e.g.</i> , runway incursion mitigation or RIM location);
▪ Be documented as needed based on a determination in support of a safety risk management panel (SRMP);
▪ Be needed to address a Runway Safety Action Team (RSAT) recommendation; or
▪ Be required by the airport's wildlife hazard mitigation plan (WHMP), assessment, or site visit. The type of activity is dependent on based aircraft and operations.

215 In addition, per [49 U.S.C. § 47102](#), any airport activity, excluding terminal development, that the FAA
216 concludes will reasonably improve the safety of the airport may be eligible for AIP funding. In order to
217 be considered for AIP funding under this statutory provision:

- 218 ▪ The sponsor must demonstrate how the proposed project would reasonably improve the safety
219 of the airport, including assessments of aeronautical activity and site-specific risks that would
220 warrant the project, alternative mitigating approaches, including any existing eligible costs, and
221 relative benefits of the proposed project compared to existing eligible projects, and
- 222 ▪ The ARP Field Office must determine that the project would reasonably improve the safety of
223 the airport, and ARP Headquarters must concur with that determination.

224 TABLE 2-3.5. SECURITY PROJECT JUSTIFICATION

Security projects must...
▪ Meet 49 CFR Part 1542 requirements;
▪ Be identified in the airport's 1542 plan; and
▪ Be supported by a letter from the Transportation Security Administration (TSA) justifying the project per 49 U.S.C. § 47106 .

225 2-3.5. BENEFIT COST ANALYSIS (BCA) FOR AIP PROJECTS

226 BCAs help identify proposed projects that will provide a net benefit to the aviation community.
227 Information on conducting a BCA, including, but not limited to, the current threshold triggering a BCA
228 for a project seeking noncompetitive discretionary funding, can be found here. [\[link to BCA web page\]](#)

229 BCAs are required for planning certain capacity projects to be funded with noncompetitive discretionary
230 funds and for certain other AIP projects, regardless of project type, funding type, or funding amount.

231 **2-3.5.1. ASSOCIATED WORK**

232 The sponsor must include all development items necessary to complete the project in the BCA. The
233 sponsor should not exclude any items, even if the sponsor believes those items are not capacity related,
234 without the express approval of the FAA.

235 **2-3.5.2. ESTIMATED FUNDING**

236 Since BCAs are completed during the short term NPIAS-ACIP timeline of a project, the funding analysis
237 will necessarily be based on estimates and, as a result, will not be detailed enough to identify all funding
238 sources required to complete the project. If noncompetitive discretionary funding will be used to
239 support the project, the sponsor and the ARP Field Office must jointly agree on a reasonable
240 noncompetitive discretionary funding amount, given the information available at the time.

241 **2-3.5.3. CAPACITY PROJECTS USING NONCOMPETITIVE DISCRETIONARY FUNDS**

242 If a sponsor is considering a capacity project that will be partially or fully funded with noncompetitive
243 discretionary funds, and it is anticipated that the amount of noncompetitive discretionary funds will
244 exceed the threshold set by FAA policy, the FAA must review the BCA. The threshold triggering a BCA for
245 a project seeking noncompetitive discretionary funding is inclusive of both AIP noncompetitive
246 discretionary and Airport Safety and Resilient Infrastructure Discretionary (ASRID) funding.

247 **2-3.5.4. ALL OTHER PROJECTS**

248 The FAA may require a BCA for any AIP project, regardless of project type, fund type, or funding amount.

249 **2-3.5.5. ALLOWABLE PREPARATION COSTS**

250 A BCA cannot be eligible for a stand-alone grant. Per [49 U.S.C. § 47110](#), the expenses related to
251 preparing a BCA can be reimbursed as part of an eligible project’s formulation costs, provided that the
252 BCA shows that the project is justified.

253 **2-3.6. ALLOWABLE COSTS**

254 Per [49 U.S.C. 47110](#), there are five basic requirements that must be met for an ARP Field Office to
255 determine that a project cost is allowable. These requirements are discussed in Table 2-3.6, Five Basic
256 Requirements for Allowable Costs.

257 **TABLE 2-3.6. FIVE BASIC REQUIREMENTS FOR ALLOWABLE COSTS**

The five basic requirements that must be met for allowable costs include...
▪ The cost is directly necessary to accomplish the project;
▪ Unless specifically allowed by statute, the cost is incurred after the grant agreement is executed;
▪ The cost is reasonable in amount;
▪ The cost is not incurred in a project for airport development or airport planning for which other

The five basic requirements that must be met for allowable costs include...

Federal assistance has been granted; and

- The total allowable Federal costs do not exceed the maximum Federal cost in the grant agreement, subject to grant amendment rules in [Chapter 4, Grant Management Process](#).

258 **2-3.6.1. COSTS MUST BE NECESSARY**

259 Per [49 U.S.C. § 47110](#), the ARP Field Office must only approve costs that are directly necessary to
260 accomplish the project. All other costs are considered unallowable.

261 **2-3.6.2. COSTS MUST BE INCURRED AFTER GRANT AGREEMENT IS EXECUTED**

262 Unless specifically allowed by other statutory provisions, [49 U.S.C. § 47110](#) requires that all project costs
263 must be incurred after the grant or letter of intent (LOI) execution date. Since the FAA cannot guarantee
264 the availability of any type of AIP funding for a project, the sponsor must be prepared to complete the
265 project using other funding sources, and the sponsor must also acknowledge the assumption of risk
266 when considering reimbursement for activities occurring prior to the grant execution.

267 **TABLE 2-3.7. REIMBURSING COSTS INCURRED PRIOR TO GRANT EXECUTION**

Allowable funding	Requirement
Passenger Apportionments Cargo Apportionments Nonprimary Commercial Service Apportionments General Aviation Airport Apportionments	Per 49 U.S.C. § 47110(b)(2)(C) , the project cost must have been incurred after September 30, 1996.
Noncompetitive Discretionary State Apportionment (including Insular) Alaska Supplemental	Per 49 U.S.C. § 47110(b)(2)(A) , the project costs must have been incurred after the grant execution date. The only statutory exceptions are: <ul style="list-style-type: none"> ▪ 14 CFR Part 150 Projects. Per 49 U.S.C. § 47110(b)(2)(B), if the project is specifically contained in an FAA-approved 14 CFR Part 150 program (including schools and medical buildings), all of the project costs can be reimbursed. If a school or medical building is being mitigated outside of an FAA-approved 14 CFR Part 150 program, it cannot be reimbursed; ▪ Project Formulation. Per 49 U.S.C. § 47110(c), the project formulation costs, including land acquisition, meeting the requirements in 2-3.6.6.8.1, Project Formulation Costs, may be reimbursed. Per FAA Policy, only eligible land acquisitions may be reimbursed through a stand-alone grant; ▪ Letters of Intent. Per 49 U.S.C. § 47110(e), all costs incurred after the LOI execution date, and only project formulation costs

Allowable funding	Requirement
	<p>incurred before the LOI execution date, may also be reimbursed with any type of grant authorized under 49 U.S.C. Chapter 471;</p> <ul style="list-style-type: none"> ▪ Small Airport Letters of Intent (SALOI). Per 49 U.S.C. § 47110(i), all costs incurred after the SALOI execution date, and only project formulation costs incurred before the SALOI execution date, may also be reimbursed with any type of grant authorized under 49 U.S.C. Chapter 471; ▪ Alternative Project Delivery. Design and construction costs incurred before a grant is made pursuant to 49 U.S.C. § 47142(b) are reimbursable if the project is approved by the ARP Field Office in advance and carried out in accordance with all administrative and statutory requirements that would have been applicable under 49 U.S.C. Chapter 471 if the project were carried out after a grant agreement had been executed. Advanced approval does not guarantee that the project will be considered or given priority for noncompetitive discretionary. Therefore, the sponsor must have an alternative funding source available to fund the project; ▪ Certain Military Airport Program (MAP) Projects. Per 49 U.S.C. § 47118(f)(2), the FAA has the option to use noncompetitive discretionary funding to reimburse approved MAP projects if the sponsor incurred the costs during fiscal years 2003 and 2004; or ▪ Climate-Related Conditions. In very limited circumstances, 49 U.S.C. § 47110(b)(2)(D)(i) provides the ARP Field Office with the option to allow reimbursement for a project cost if it meets all of the conditions in Section 2-3.6.2.1., Climate-Related Conditions Reimbursement.

268 2-3.6.2.1. CLIMATE-RELATED CONDITIONS REIMBURSEMENT

269 The following legislative requirements must be met to be eligible for FAA consideration of
 270 reimbursement based on climate-related conditions.

271 **TABLE 2-3.8. CLIMATE-RELATED CONDITIONS STATUTORY REQUIREMENTS FOR REIMBURSEMENT**

Per 49 U.S.C. § 47110(b)(2)(D) :
<ul style="list-style-type: none"> ▪ The cost is incurred prior to, but in the same fiscal year, as grant execution;
<ul style="list-style-type: none"> ▪ The cost is incurred because the airport has a shortened construction season due to climatic conditions in the vicinity of the airport;
<ul style="list-style-type: none"> ▪ The cost is in accordance with an FAA-approved airport layout plan (ALP) and with all statutory and administrative requirements that would have been applicable to the project if it had been carried

Per 49 U.S.C. § 47110(b)(2)(D):

out after execution of the grant agreement, including submission of a complete grant application to the ARP Field Office;

- The sponsor submits a written request to the ARP Field Office before authorizing work to commence on the project;
- The sponsor has an alternative funding source available to fund the project; and
- The sponsor's decision to proceed with the project in advance of execution of the grant agreement does not affect the priority assigned to the project for the allocation of noncompetitive discretionary funds.

272 Certain requirements will be considered for reimbursement based on climate-related conditions, as
273 documented in [Table 2-3.9.](#), Climate-Related Conditions Implementation Requirements for
274 Reimbursement.

275 **TABLE 2-3.9. CLIMATE-RELATED CONDITIONS IMPLEMENTATION REQUIREMENTS FOR REIMBURSEMENT**

The requirements that FAA will consider are:

- **The request is not due to short-term weather disruptions**, because contract specifications include provisions for inclement weather and temporary shutdowns;
- **The request is not due to operational considerations**, because such considerations do not satisfy the requirement of a shortened construction season due to climatic conditions;
- **The request is for a project that may be impacted by a shortened construction season.** Projects such as interior terminal efforts are not affected by climatic conditions;
- **The airport is in an impacted area** where specific construction activities required for the project would be impacted by the cold temperatures; and
- **An early start is justified** in order to avoid the construction schedule being impacted by cold weather conditions.

276 The sponsor must have alternative funding available, including, but not limited to, local funds and future
277 year apportionments, to accomplish the work if not approved for climate-related reimbursement. For
278 phased projects, all requirements must be applied individually to each phase.

279 The ARP Field Office determination, based on the sponsor's written request, provides an
280 acknowledgement as to whether the sponsor has met the requirements for climate-related
281 reimbursement prior to contract award and does not in any way represent an actual commitment of
282 noncompetitive discretionary funding.

283 **2-3.6.3. COSTS MUST BE REASONABLE**

284 Per [2 CFR Part 200](#), sponsors must perform a cost or price analysis for every procurement transaction,
285 including contract modifications, in excess of the Simplified Acquisition Threshold (SAT). Additionally,
286 the ARP Field Office must determine that costs are reasonable to comply with [49 U.S.C. § 47110](#).
287 Therefore, in addition to competitive procurements, all noncompetitive procurement actions (including

288 change orders, supplemental agreements, and contract modifications) require a cost or price analysis
 289 regardless of cost. The type of analysis that the sponsor must perform and the documents the sponsor
 290 must submit for various procurement scenarios are provided in Table 2-3.10, Sponsor Requirements for
 291 Cost Reasonableness. The requirements for change orders, supplemental agreements, and contract
 292 modifications are contained in [Chapter 4, Section 4-6, Contract Changes, Amendments, and Payments.](#)

293 **TABLE 2-3.10. SPONSOR REQUIREMENTS FOR COST REASONABLENESS**

Item	Sponsor Analysis	Includes
Land and easement acquisition	Cost Analysis	<ul style="list-style-type: none"> ▪ Appraisals and review appraisals; ▪ A statement signed by the sponsor stating that the cost analysis was performed that includes the sponsor’s recommendation that the FAA accept the statement and analysis as evidence of cost reasonableness; ▪ Negotiated amount of consideration for the acquisition of property rights; ▪ Copy of the signed negotiated deed or instrument of transfer only if requested by the ARP Field Office; and ▪ Any other supporting documentation requested by the ARP Field Office.
Equipment acquisition and construction where there is adequate competition (two or more bidders by sealed bids)	Price Analysis (if the cost is in excess of the SAT)	<ul style="list-style-type: none"> ▪ Engineer’s estimate; ▪ A written statement signed by the sponsor that the cost is reasonable. If a price analysis is required, the sponsor must include in this written statement that a price analysis was performed; ▪ Bid tabulations; ▪ Copy of the signed contract only if requested by the ARP Field Office; and ▪ Any other support documentation requested by the ARP Field Office.
Equipment acquisition and construction where noncompetitive procurement is permitted (one bidder, sole source, small purchase, alternative delivery methods, etc.)	Cost Analysis	<ul style="list-style-type: none"> ▪ Engineer’s estimate; ▪ A statement signed by the sponsor that the cost analysis was performed that includes the sponsor’s recommendation that the FAA accept the statement and analysis as evidence of cost reasonableness; ▪ Bid tabulation (one bidder), proposal (sole source, design / build, construction manager-at-risk), or winning quote (small purchase);

Item	Sponsor Analysis	Includes
		<ul style="list-style-type: none"> ▪ Copy of the signed contract (or full set of quotes for small purchase) only if requested by the ARP Field Office; and ▪ Any other support documentation requested by the ARP Field Office.
<p>Negotiated professional services (such as consultant costs or contract modifications to a professional services contract)</p>	<p>Cost Analysis</p>	<ul style="list-style-type: none"> ▪ Independent fee estimate; ▪ A statement signed by the sponsor that the cost analysis was performed that includes the sponsor’s recommendation that the FAA accept the statement and analysis as evidence of cost reasonableness; ▪ Amount of contract; ▪ Copy of the signed contract only if requested by the ARP Field Office; and ▪ Any other support documentation requested by the ARP Field Office.
<p>Non-negotiated services (such as newspaper advertisements and rental of facilities for a public hearing)</p>	<p>Price Analysis (if the cost is in excess of the SAT)</p>	<ul style="list-style-type: none"> ▪ Advertised pricing; ▪ A written statement signed by the sponsor that the cost is reasonable. If a price analysis is required, the sponsor must include in this statement that a price analysis was performed; ▪ Quote for services (or sponsor’s estimate based on the advertised price); and ▪ Any other support documentation requested by the ARP Field Office.
<p>Non-negotiated service based on law or regulation (such as utility work by the utility company or a reimbursable agreement with the FAA’s Air Traffic Organization (ATO))</p>	<p>Price Analysis (if the cost is in excess of the SAT)</p>	<ul style="list-style-type: none"> ▪ A written statement signed by the sponsor that the cost is reasonable. If a price analysis is required, the sponsor must include in this written statement that a price analysis was performed; ▪ Quote or signed contract; and ▪ Any other support documentation requested by the ARP Field Office.
<p>Sponsor force account planning, engineering, or construction</p>	<p>Cost Analysis</p>	<ul style="list-style-type: none"> ▪ All of the documentation required in 2-3.6.6.8.3., Force Account Costs.

294 To fund a project or make a payment on a grant, the ARP Field Office, not the sponsor, must make the
295 determination that the project costs are reasonable by reviewing documents submitted in accordance
296 with Table 2-3.10, Sponsor Requirements for Cost Reasonableness.

297 2-3.6.4. COSTS MUST NOT BE IN ANOTHER FEDERAL GRANT

298 Per [49 U.S.C. § 47110](#), AIP must not be used for a project cost that has already been covered in another
299 Federal grant. In other words, the costs must not be paid for by the Federal government more than once
300 and may not cause the Federal share percentage of the project to exceed the Federal share allowed in
301 [49 U.S.C. § 47109](#). This requirement does not prohibit another Federal agency from providing funding to
302 a sponsor to be used for the local share if that Federal agency permits its funds to be used for local
303 share.

304 2-3.6.5. ALLOWABLE FEDERAL SHARE REQUIREMENT

305 Per [49 U.S.C. § 47110](#), the total allowable Federal costs cannot exceed the maximum Federal cost that is
306 in the grant agreement, except as allowed within the amendment rules provided in [Chapter 4, Grant](#)
307 [Management Process](#).

308 2-3.6.6. SPECIFIC ALLOWABLE PROJECT COSTS

309 This subsection lists several specific project cost items that are applicable to multiple project types. The
310 project cost items are grouped by general category and are listed in alphabetical order within each
311 category.

312 2-3.6.6.1. GENERAL ADMINISTRATIVE AND INDIRECT COSTS

313 2-3.6.6.1.1. ADMINISTRATIVE COSTS

314 The ARP Field Office may determine that certain administrative costs are allowable when they are
315 required to carry out the project in accordance with [49 U.S.C. § 47110](#). Costs to administer the AIP grant
316 program are not allowable. [Table 2-3.11](#), Administrative Cost Requirements, contains examples of
317 common administrative costs.

318 Administrative costs may include work done by a sponsor or another entity, such as an attorney. Project
319 specific costs may include preparation of an independent fee estimate, legal review of a construction
320 contract, and submission of FAA-required project reports. Administrative costs must be supported by
321 vouchers, receipts, personnel activity reports, or other verifiable documentation. Administrative costs
322 must not represent a pro-rated allocation of time or expenses. Administrative costs must not include
323 planning, engineering, or construction work, and are therefore not considered force account work.

324 By FAA policy, a line item for estimated administrative costs can be included in the grant application if
325 the sponsor cannot accurately calculate the total administrative costs. However, estimated
326 administrative costs must not exceed 2% of the grant amount or \$10,000, whichever is less.

327 Once a grant is issued, the payment requests for administrative costs must represent actual costs and
328 must be supported by appropriate documentation. Claims may not represent an estimated, allocated, or
329 prorated cost.

330 Additional information pertaining to compensation is contained in [2 CFR Part 200](#) and [2 CFR Part 225](#) .
331 Additional information pertaining to implementing the Single Audit Act is contained in [2 CFR § 200](#)
332 [Subpart F](#).

333 **TABLE 2-3.11. ADMINISTRATIVE COST REQUIREMENTS**

Example	Requirements
Sponsor Employee Time (Costs include hourly salary and costs related to hourly rate, such as Medicare, Social Security, and Federal, state, and local taxes)	<ul style="list-style-type: none"> ▪ The cost must be required to carry out the AIP project; ▪ The sponsor must have a time tracking system in place that tracks all hours that employees work and provides timesheets that document all hours worked by employees; ▪ Sponsors must base charges upon actual documented payroll information approved by the sponsor’s responsible official; and ▪ The sponsor’s responsible official’s written approval must be provided to the ARP Field Office with documentation.
Overhead Costs	<ul style="list-style-type: none"> ▪ Considered indirect costs (see 2-3.6.6.1.2., Indirect Costs).
Sponsor Employee Expenses (Costs include tolls, mileage, and parking) Legal Fees Independent Fee Estimates Newspaper Advertisements and Announcements in Publications	<ul style="list-style-type: none"> ▪ The cost must be reasonable and required to carry out the AIP project; and ▪ The sponsor must submit a receipt, voucher, or invoice, as applicable.
Audit Fees	<ul style="list-style-type: none"> ▪ The cost must be reasonable and directly related to an AIP project in the grant or prior grant; ▪ The sponsor must submit an invoice; and ▪ The audit must be required by and performed in accordance with the Single Audit Act.*

334 *Sponsors that are issued grants under a state block grant are responsible for obtaining the single audit
 335 and for the payment of the audit costs. Therefore, the request for reimbursement of these costs is tied
 336 to the grant.

337 **2-3.6.6.1.2. INDIRECT COSTS**

338 Indirect or overhead costs are incurred by a sponsor for costs other than employees’ direct time.
 339 Indirect costs may include support services such as accounting, billing, building lease/rent, and utilities.
 340 These costs cannot be attributed to one specific project but rather may be allocated via a formula,
 341 prescribed in regulation, to the project. Indirect cost requirements are found in [2 CFR Part 200](#).

342 Per FAA policy, indirect costs can only be applied to the direct wages and salaries of a sponsor’s
 343 employees (not to other project costs) for the time working on an AIP grant. Indirect or overhead costs
 344 are potentially allowable only if the sponsor meets one of the following two criteria for calculation of
 345 the indirect cost rate.

346 **TABLE 2-3.12. INDIRECT COST RATE CALCULATION CRITERIA**

Example	Requirements
Sponsor <u>has</u> a Cost Allocation Plan (CAP)	<ul style="list-style-type: none"> ▪ The CAP has been approved by the cognizant Federal agency. In addition, the sponsor has an executed indirect cost rate agreement developed in accordance with 2 CFR Part 200 Subpart E. These two documents are needed by the ARP Field Office to determine what percentage of the costs, if any, can be allocated to the modified total direct cost (MTDC); or
Sponsor <u>does not have</u> a CAP	<ul style="list-style-type: none"> ▪ The sponsor has the option to charge a de minimis rate of 10% of MTDC per 2 CFR Part 200.

347 The allowable MTDC is the cost for a sponsor’s employee’s time directly related to administrative tasks
348 that are required to complete an AIP project. The cost for a sponsor’s employee’s time includes the
349 employee hourly salary and costs related to the hourly rate such as Medicare, Social Security, and
350 Federal, state and local taxes.

351 The cognizant agency of the Federal government must approve or disapprove the CAP. This is generally
352 the Federal agency that has the greatest dollar involvement with a given sponsor. When the FAA is the
353 cognizant agency, responsibility for approving or disapproving CAPs and negotiating and executing the
354 indirect cost rate agreement is delegated to ARP Headquarters through the ARP Field Office.

355 **2-3.6.6.2. CONSTRUCTION AND INFRASTRUCTURE COSTS**

356 **2-3.6.6.2.1. CONSTRUCTION COSTS**

357 Construction costs are only allowable if they are necessary to complete the project according to the
358 development objective, scope of work, and plans and specifications.

359 **2-3.6.6.2.2. CONSTRUCTION PROJECT SIGNS COST**

360 Project signs at airport construction sites are not required, but if erected, may be an eligible cost if the
361 construction includes at least \$200,000 of Federal funds and will be underway for at least three months.
362 The allowable cost of the sign is limited to \$5,000. The sign must contain a brief description of the
363 project and the following statement: Part of the funding for this project is being provided by a grant
364 from the Airport Improvement Program, which is administered by the Federal Aviation Administration
365 and financed through the Airport and Airway Trust Fund.

366 **2-3.6.6.2.3. DUCT BANK COSTS SERVING INELIGIBLE FACILITIES**

367 Although costs associated with ineligible facilities are typically not allowable, the cost to install, modify,
368 or enlarge a duct bank supporting an ineligible facility is allowable as necessary to complete an eligible
369 AOS project if the ARP Field Office determines that doing so will reduce the need to disturb the AOS at a
370 later date. However, acquisition and installation costs associated with ineligible utilities and equipment
371 remain unallowable.

372 **2-3.6.6.2.4. SITE PREPARATION COSTS FOR INELIGIBLE & INCIDENTAL WORK**

373 The sponsor may include ineligible site preparation work with an AIP project if they receive advance ARP
374 Field Office approval and the costs are prorated as non-AIP work. If the ineligible work inadvertently
375 overlaps the site preparation for the AIP-eligible project, the work may be allowable as AIP work.

376 **2-3.6.6.2.5. TEMPORARY CONSTRUCTION COSTS**

377 If the ARP Field Office determines that uninterrupted airport operations are necessary for the National
378 Airspace System (NAS), and temporary construction allows operations to continue, the temporary
379 construction costs are allowable if reasonable. If the temporary construction includes new pavement or
380 using existing pavement for a different purpose, the ARP Field Office must obtain ARP Headquarters
381 approval.

382 2-3.6.6.2.6. ARCHITECTURAL AND ENGINEERING (A/E) COSTS

383 A/E costs are only allowable if necessary to complete an eligible AIP project. If only a portion of the
384 project is AIP-eligible, such as terminal construction projects, the A/E costs are limited to the eligible
385 prorated amount.

386 2-3.6.6.2.7. VALUE ENGINEERING COSTS

387 Value engineering costs are allowable provided certain criteria are met, including [2 CFR Part 200](#) general
388 procurement standards and the use of value engineering clauses and additional requirements located in
389 [Chapter 3, Section 3-6.2.12, Value Engineering](#).

390 2-3.6.6.2.8. SEISMIC STANDARDS COSTS

391 In accordance with [49 CFR § 41.120](#), any building constructed with AIP funds must be designed in
392 accordance with seismic standards. Costs necessary to comply with this provision are therefore
393 allowable.

394 2-3.6.6.3. ENVIRONMENTAL AND HISTORIC PLACES COSTS

395 2-3.6.6.3.1. ENVIRONMENTAL DETERMINATION COSTS

396 Costs necessary to mitigate environmental impacts, as identified in an environmental determination,
397 that are necessary to complete the eligible AIP project are allowable as project formulation costs.

398 2-3.6.6.3.2. HISTORIC PLACES COSTS

399 Associated costs required by Section 106 of the National Historic Preservation Act of 1966, P.L. 89-665
400 (codified at [54 U.S.C. § 306108](#)) are allowable when properties listed, or eligible for listing, on the
401 National Register impede or are impacted by an eligible project, including, but not limited to, efforts
402 such as land acquisition and noise mitigation.

403 2-3.6.6.4. EQUIPMENT AND TECHNOLOGY COSTS

404 2-3.6.6.4.1. ADVANCED DIGITAL CONSTRUCTION MANAGEMENT SYSTEM (ADCMS)

405 Per [49 U.S.C. § 47102](#), the acquisition of advanced digital construction management systems (ADCMS)
406 and related technology used in the planning, design and engineering, construction, and maintenance of
407 airport facilities are an allowable project cost when the systems or technologies are acquired to carry
408 out a project approved by the FAA based on AIP eligibility criteria. ADCMS cannot be purchased for the
409 purpose of operations or maintenance of a facility alone, but a sponsor may acquire an ADCMS that
410 includes maintenance functionality.

411 Vendors may offer ADCMS as a periodic software license. License costs are only allowable when
412 associated with AIP-eligible project activities and no longer allowable once the project is complete. All
413 other software and subscription cost guidance in [Section 2-3.6.6.4.2., Computer Software, Data
414 Acquisition, and Subscription Costs](#), applies to ADCMS acquisitions.

415 2-3.6.6.4.2. COMPUTER SOFTWARE, DATA ACQUISITION, AND SUBSCRIPTION COSTS

416 Computer software and data subscription costs are allowable if the costs are:

- 417 ▪ Directly attributed to a specific AIP project only for the duration of the approved project, and
- 418 ▪ Utilized solely by the entity that is doing the work for which the software is required.

419 Costs may include customizable commercially available software only if the software becomes public
420 domain and the sponsor makes it available to all users without cost beyond handling costs.

421 It is anticipated that the cost of this software will normally be incurred by the sponsor's consultant
422 because the consultant is performing the technical work. The cost for sponsor acquisition of software is
423 not allowable unless it is approved by the ARP Field Office for force account work (see [Chapter 3, Grant](#)
424 [Prerequisites, Section 3-4.2.11, Force Account Work](#)).

425 Specific to planning projects, limited data acquisition costs are allowable to purchase aircraft operations
426 and passenger data that is not otherwise available from the Department of Transportation (DOT) or the
427 FAA. Use of vendor-provided automated aircraft counting systems during the planning project is also
428 allowable if aircraft type is captured and independent analysis shows that the system counts within +/-
429 3% of total, actual operations.

430 Costs for ongoing subscription services, such as those needed for noise monitoring or surface
431 management technologies, are not allowable. Additionally, the sponsor is responsible for the data
432 subscription costs or any other ongoing vendor service costs needed to access FAA surveillance tracking
433 data.

434 2-3.6.6.4.3. CYBERSECURITY PROJECTS

435 Per [49 U.S.C. § 47102](#), a project to comply with rulemakings and recommendations on airport
436 cybersecurity standards from the Civil Aviation Cybersecurity Rulemaking Committee is eligible for AIP
437 funding. Any resulting eligibility may address cybersecurity controls for airports, relative to the size and
438 nature of airside operations of such airports and will be dependent upon Committee recommendations
439 and final rulemaking.

440 2-3.6.6.4.4. GEOSPATIAL DATA COLLECTION COSTS

441 Airport geospatial data collection costs, including aeronautical surveys, are allowable as long as the field
442 survey, data collection, and upload to the [Airport Data Information Portal](#) (ADIP) program is in
443 accordance with FAA surveying standards outlined in the pertinent ACs.

444 Costs must be necessary to complete an AIP project, regardless of whether it is for planning or
445 development purposes.

446 2-3.6.6.4.5. EQUIPMENT LEASING COSTS

447 The AIP statute only allows eligible equipment to be purchased, not leased. The exception is when
448 equipment is leased for temporary use to complete an AIP-eligible project (either by a contractor or
449 through ARP Field Office approved force account work).

450 In the case of lease or purchase agreements, only the purchase portion of the arrangement is an
451 allowable AIP cost, and the ARP Field Office cannot issue the grant for the equipment until after the
452 sponsor executes the option to purchase the equipment.

453 2-3.6.6.4.6. USED EQUIPMENT COSTS

454 The acquisition of used equipment is allowable provided it meets FAA specifications and standards and
 455 has an acceptable useful life relative to the purchase price.

456 **2-3.6.6.4.7. NONROAD DIESEL ENGINES COSTS**

457 Nonroad diesel engine vehicles meeting Tier 4 standards (see [40 CFR Part 1039](#)) are allowable based on
 458 a 2004 EPA final rule intended to reduce harmful emissions and improve air quality.

459 **2-3.6.6.5. LAND, LEGAL, AND RELOCATION COSTS**

460 **2-3.6.6.5.1. REAL PROPERTY ACQUISITION COSTS**

461 The costs associated with real property acquisition (appraisals, legal fees, etc.) are allowable. By FAA
 462 policy these costs may not be drawn down until after the sponsor has submitted satisfactory evidence to
 463 the ARP Field Office that the sponsor has or will obtain good title to the land or other property right and
 464 that the sponsor has recorded the grant agreement, including the grant assurances, in the public land
 465 records of the county courthouse. Examples of satisfactory evidence are a binding purchase agreement
 466 that will convey good title, evidence of a condemnation deposit, a condemnation award, or a court
 467 settlement. The ARP Field Office may issue a grant prior to submitting the evidence, but the sponsor
 468 must not submit payment requests until satisfactory evidence as described above has been provided.
 469 The ARP Field Office may only fund costs allowed under [49 CFR Part 24, Uniform Relocation Assistance
 470 and Real Property Acquisition for Federal and Federally Assisted Programs](#).

471 Common allowable real property acquisition costs and their associated restrictions are listed in [Table 2-
 472 3.13](#), Common Allowable Land Costs and Associated Restrictions. These costs are subject to the
 473 requirements found in [49 CFR Part 24](#). All costs must be necessary and reasonable in amount.

474 **TABLE 2-3.13. COMMON ALLOWABLE LAND COSTS AND ASSOCIATED RESTRICTIONS**

For the following cost...	The following restrictions apply...
Appraisals	One appraisal of each property or property right to be acquired is allowed unless the ARP Field Office concurs that a second full appraisal is justified. The sponsor must ensure all appraisal reports are reviewed by a qualified review appraiser and recommended as required under 49 CFR Part 24 .
Title Evidence	The reasonable and necessary cost of title evidence (title search and acquisition closing procedures to ensure marketable, clear title to property is conveyed to the airport) is allowable. The sponsor’s attorney must certify to the ARP Field Office that good title has been acquired and may rely upon title insurance, title abstract, or an attorney’s certificate of title. Per FAA policy, AIP reimbursement of the title insurance costs must not exceed \$5,000 per parcel.
Exhibit A Update	The sponsor is statutorily required to maintain a current Exhibit A Property Inventory Map. The cost to update the Exhibit A is both a required and an allowable cost in an AIP land project when an airport sponsor acquires land or interests in property for the airport or releases airport property or interests necessary to complete the

For the following cost...	The following restrictions apply...
	AIP project. An airport property map is not a substitute for an Exhibit A Property Inventory Map.
Condemnation Awards	<p>The ARP Field Office may accept the cost of land or property interest established by the courts in a condemnation proceeding as a reasonable cost. Reasonable attorney fees, delay interest, and acceptable incidental expenses included in a court award to property holders in a condemnation action are allowable costs. If the sponsor and their legal counsel determine the award was excessive or unreasonable, they must evaluate whether to appeal the award.</p> <p>The sponsor and their legal counsel are encouraged to appeal an unfavorable award if there is good reason to believe the amount of the award will be significantly reduced on appeal or retrial.</p>
Relocation Assistance Costs	Relocation assistance and eligible payment requirements are described in 49 CFR Part 24 . Compliance with this regulation is required for all Federally-financially assisted projects and programs where acquisition or relocation is required or contemplated, and for projects to reimburse the sponsor for prior acquisition or relocation. The cost incurred by the sponsor to meet the requirements of 49 CFR Part 24 is allowable.
Appraisal to Acquire an Airport not in the NPIAS	The acquisition of a private airport by a public sponsor will normally include acquisition of all airport property, including improvements. The appraised highest and best use of the land may either be continued airport use or market development of the land to a more valuable land use, but not a mix of the two.

475 If land acquired contains existing facilities, certain costs are allowable that pertain to the facilities and
476 are explained in the table below.

477 **TABLE 2-3.14. ALLOWABLE COSTS FOR FACILITIES ON AIP ACQUIRED LAND**

If the facility will be...	The cost is...
Demolished	Allowable.
Used for an AIP-eligible purpose (such as a general aviation terminal)	Allowable up to the extent justifiable by the intended AIP purpose. The purpose must be AIP-eligible and justified for the project type, and project funding rules apply.
Demolished at a later date (not to exceed three (3) years from purchase)	<ul style="list-style-type: none"> Allowable. The sponsor may use the structure for any incidental purposes it deems desirable provided it does not interfere with the purpose of the airport. However, any revenue at fair rental value received during the period between acquisition and

If the facility will be...	The cost is...
	demolition of the structure constitutes airport revenue and is to be used according to sponsor assurance 25, Airport Revenues . <ul style="list-style-type: none"> ▪ If a decision is ultimately made not to demolish the structure, then the ARP Field Office will determine the next course of action.
Used for a purpose that is not AIP-eligible (such as administrative offices)	Not Allowable.
Relocated from present site	Partially Allowable. This cost is only allowable up to the lesser of relocation or demolition costs.

478 **2-3.6.6.5.2. LEGAL FEES AND SETTLEMENT COSTS**

479 Legal fees and settlement costs are allowable if certain criteria are met. If the costs are allowable,
 480 associated administrative expenses and/or consultant fees pertaining to the costs are also allowable.

481 **TABLE 2-3.15. LEGAL COST REQUIREMENTS**

In addition to being necessary and reasonable, the legal costs must...
<ul style="list-style-type: none"> ▪ Not be associated with defending a specification or Federal provision;
<ul style="list-style-type: none"> ▪ Be documented in an invoice;
<ul style="list-style-type: none"> ▪ Only be paid from the open grant (grant may be amended per amendment requirements);
<ul style="list-style-type: none"> ▪ Not be due to negligence on the part of the sponsor or consultant, such as bidding defective plans, improper payments, or contract provision violations;
<ul style="list-style-type: none"> ▪ Not be associated with recoveries of improper payments; and
<ul style="list-style-type: none"> ▪ Occur after the sponsor has exhausted all other available avenues to pay the costs or resolve the issue.

482 **2-3.6.6.5.3. COSTS TO RECONSTRUCT OR RELOCATE A FACILITY IMPEDING AN AIP PROJECT**

483 The cost of relocating a facility impeding an eligible AIP project is allowable if certain conditions exist.
 484 For the purposes of this section, impeding is defined as physically interfering with the construction or
 485 establishment of the AIP project. It does not mean rebuilding the facility to mitigate inconveniences to
 486 the existing facility. Additional information can be found in [AC 150/5300-7, FAA Policy on Facility](#)
 487 [Relocations Occasioned by Airport Improvements or Changes](#).

488 The reconstruction or relocation of a Federal facility impeding an AIP-eligible project is allowable if the
 489 rebuilt facility is of an equivalent size and type, as stated in [49 U.S.C. § 47110](#).

490 In addition, if the facility is FAA-owned, the ARP Field Office must complete all required coordination
 491 with FAA's Air Traffic Organization (ATO). As part of the coordination, if ATO determines that the facility
 492 is no longer required, then it is not eligible for relocation, but it may be eligible to be demolished for the

493 completion of the eligible project. Sponsors are advised to consider these possibilities during the
 494 planning process. If the facility is required by ATO, the cost to relocate or reconstruct must demonstrate
 495 a passing [BCA](#). Refer to [Section 2-3.5. Benefit Cost Analysis \(BCA\) for AIP Projects](#), for additional
 496 information.

497 If the facility is sponsor-owned, funding is limited to primary, nonprimary, and cargo apportionments as
 498 well as small airport funds, depending on the funding rules for completing the new development
 499 project.

500 Relocation costs are limited to site preparation, utilities, and facility location. Reconstruction of the
 501 facility is only allowable if relocation is not feasible and the reconstruction is limited to the same size
 502 and function as the original. Site preparation and utility work are eligible as project formulation costs
 503 per [49 U.S.C. § 47110](#).

504 The following table discusses the applicable situations related to facilities impeding an AIP project and
 505 what is allowable for each.

506 **TABLE 2-3.16. ALLOWABLE COSTS FOR FACILITIES IMPEDING AN AIP PROJECT**

If the impacted facility is...	The cost is...
Federally-owned (including FAA-owned) and is on airport property	<ul style="list-style-type: none"> ▪ Allowable for relocation; ▪ Allowable for reconstruction if relocation is not feasible; or ▪ Allowable for demolition or removal if the facility is no longer required, as determined by ATO.
Sponsor-owned, is on airport property, and is eligible as a stand-alone AIP project	<ul style="list-style-type: none"> ▪ Allowable for relocation (funding rules for the new development must be followed); ▪ Allowable for reconstruction if relocation is not feasible and the impacted facility is eligible and justified under AIP regardless of the impacting project (funding rules and any other AIP requirements for the facility as a stand-alone project must be followed); or ▪ Allowable for demolition or removal if the facility is no longer required, as determined by ATO (funding rules for the new development must be followed).
Sponsor-owned, is on airport property, is not eligible as a stand-alone AIP project, and is required by an FAA change to FAA design standards per 49 U.S.C. § 47110(d)	<ul style="list-style-type: none"> ▪ Allowable for relocation; ▪ Allowable for reconstruction if relocation is not feasible; or ▪ Allowable for demolition or removal if the facility is no longer required, as determined by ATO (funding rules for the new development must be followed). <p>Note for relocation or reconstruction:</p> <ul style="list-style-type: none"> ▪ This is a change in actual physical dimensions that is required to meet design standards published after the publication date of the current version of AC 150/5300-13, Airport Design;

If the impacted facility is...	The cost is...
	<ul style="list-style-type: none"> ▪ The ARP Field Office determines the new design standard infringes on the sponsor’s facility; ▪ The change is beyond the control of the sponsor; ▪ The relocation / replacement is advantageous to the FAA based on design alternatives, not merely the sponsor’s preferred alternative; and ▪ Only primary or nonprimary apportionments, state apportionments, or small airport funding can support the effort per 49 U.S.C. § 47110.
<p>Sponsor-owned, is on airport property, is not eligible as a stand-alone AIP project, and is not required by an FAA change to FAA design standards per 49 USC § 47110(d)</p>	<ul style="list-style-type: none"> ▪ Not Allowable for relocation or reconstruction. ▪ Allowable for demolition or removal of the facility (minus salvage value) and lease extinguishments in very rare cases. Extinguishment of leases without termination clauses may invoke relocation requirements per 49 CFR Part 24. ▪ Extinguishment of non-terminal building leases for leases executed before 2/26/2019 (effective date of FAA Order 5100.38D, Change 1) that do not have a termination clause are allowable. For leases that do have a termination clause, costs to extinguish the lease are not allowable. ▪ For tenant-owned improvements within a sponsor-owned terminal, the demolition of the tenant improvements is the only allowable cost, because the sponsor has control of airport development and is therefore responsible if a tenant area is in the way of new development. ▪ The sponsor may also physically move the facility to another location on the airport up to, but not exceeding, the demolition costs of the facility.
<p>Privately-owned and is on airport property</p>	<ul style="list-style-type: none"> ▪ Allowable to purchase the facility at fair market value (FMV); ▪ Allowable to relocate in lieu of purchase if the cost does not exceed the FMV of the facility. Nominal incidental costs associated with the relocation may also be included, such as extinguishing a lease; ▪ Not allowable for reconstruction; or ▪ Allowable for demolition and removal, minus any salvage value.
<p>Not sponsor- or Federally-owned and is off-airport property</p>	<ul style="list-style-type: none"> ▪ Allowable for relocation; ▪ Allowable for reconstruction; or ▪ Allowable for demolition.

507 2-3.6.6.6. OPERATIONAL AND SAFETY COSTS

508 2-3.6.6.6.1. FLIGHT INSPECTION COSTS

509 The costs of one flight inspection, when required by the ATO under FAA Order 8260.19, [Flight](#)
510 [Procedures and Airspace](#), and [FAA Order 8200.1, United States Standard Flight Inspection Manual](#), and
511 administered through a reimbursable agreement with the FAA, and the associated costs for contractor
512 participation, are allowable. Costs incurred by the sponsor if the FAA cancels the flight check are also
513 allowable. The cost for the FAA's ATO to conduct more than one flight inspection (also called flight
514 checks) during the commissioning of a navigational aid (NAVAID) is prohibited, unless through no fault of
515 the sponsor or operation of the equipment.

516 2-3.6.6.6.2. MILITARY AIRPORT PROGRAM (MAP) OPERATIONAL AND SAFETY PROJECTS

517 Per 49 U.S.C. § 47117, noncommercial service airports the FAA accepts into the MAP may receive MAP
518 funding for operational and maintenance expenses if:

- 519 ▪ The amount of such grants to the sponsor of the airport does not exceed \$30,000 in that fiscal
520 year;
- 521 ▪ The FAA determines that the airport is adversely affected by the closure or realignment of a
522 military base; and
- 523 ▪ The sponsor of the airport certifies that the airport would otherwise close if the airport did not
524 receive the grant.

525 In addition, per 49 U.S.C. § 47118, joint use airports the FAA accepts into MAP that are designated as
526 safety critical may also receive MAP funding for projects to preserve or enhance minimum airfield
527 infrastructure facilities to support emergency diversionary operations for transoceanic flights in
528 locations within United States jurisdiction and control and where there is a demonstrable lack of
529 diversionary airports within the distance or flight-time required by regulations governing transoceanic
530 flights. In order to be eligible for funding under this statutory provision, the project must be necessary to
531 meet the minimum safety and emergency operational requirements established under 14 CFR Part 139.

532 2-3.6.6.6.3. SAFETY MANAGEMENT SYSTEM (SMS) AND SAFETY RISK MANAGEMENT (SRM)
533 COSTS

534 The costs for developing an SMS manual and participating in an SRM panel for specific projects or
535 operations related to a specific AIP project are allowable. Refer to [Appendix L, Planning](#), for additional
536 information on SMS planning grants.

537 SRM panel costs are allowable as necessary to complete a specific AIP project if required and conducted
538 per the current version of [FAA Order 5200.11, FAA Airports \(ARP\) Safety Management System \(SMS\)](#).
539 Allowable costs are limited to the reasonable costs of a consultant to support the SRM, including:

- 540 ▪ Costs to obtain a third-party facilitator;
- 541 ▪ Presentation preparation; and
- 542 ▪ Meeting minutes.

543 SRM project costs are not automatically eligible or justified. The ARP Field Office must review the
544 individual recommendations to identify if the recommendation is eligible and justified as a stand-alone
545 project or eligible, justified, and necessary to complete an AIP project based on the scope of work in the
546 recommendation.

547 2-3.6.6.7. UTILITY AND SERVICE COSTS

548 2-3.6.6.7.1. UTILITY COSTS

549 The installation, improvement, and reconstruction of utilities (gas, water, sewer, and primary electric
550 service) are allowable costs when necessary to complete an AIP project to the extent the utilities serve
551 eligible areas and facilities. These costs are only allowable as stand-alone projects when eligible and
552 justified at airports participating in the MAP program and using MAP special noncompetitive
553 discretionary apportionment funding (MAP funding).

554 If a utility installation serves both eligible and ineligible areas or facilities, the work is considered to be
555 advantageous to the Federal government, but the allowable cost is limited to the prorated eligible
556 portion of the project. The ARP Field Office must determine the best proration method and calculate the
557 prorated eligible portion. Requirements for including ineligible or non-AIP funded work in a contract
558 must be met; see [2-3.6.6.2.4.](#), Site Preparation Costs for Ineligible & Incidental Work, for additional
559 information.

560 2-3.6.6.7.2. SPONSOR-FURNISHED MATERIAL OR SUPPLY COSTS

561 Sponsor-furnished materials or supplies are allowable costs if certain criteria are met, including
562 procurement requirements in [2 CFR Part 200](#), [Buy American](#), and FAA technical standards. The use of
563 sponsor-furnished material or supplies must be approved in advance of issuing the grant.

564 2-3.6.6.8. PROJECT DEVELOPMENT AND AGREEMENT COSTS

565 2-3.6.6.8.1. PROJECT FORMULATION COSTS

566 Project formulation costs incurred before the date the grant agreement is executed are allowable when
567 necessary for the formulation or preparation of the airport development project or developing the work
568 scope of an airport planning project. Project formulation costs include, but are not limited to:

- 569 ▪ Costs associated with conducting field surveys;
- 570 ▪ Developing plans and specifications;
- 571 ▪ Acquiring property interests in land or airspace;
- 572 ▪ Utility relocation costs;
- 573 ▪ Work site preparation costs;
- 574 ▪ Other incidental items that would not have been incurred except for the project; and
- 575 ▪ Administration costs (see [2-3.6.6.1.1.](#), Administrative Costs).

576 2-3.6.6.8.2. REIMBURSABLE AGREEMENTS WITH FEDERAL AGENCIES

577 The cost for reimbursable agreements between the sponsor and a Federal agency is allowable if the cost
578 is necessary for completing the project and the Federal agency's statutes permit the action. The FAA is
579 authorized under [49 U.S.C. § 106](#) to enter into and perform reimbursable agreements with airport
580 sponsors.

581 2-3.6.6.8.3. FORCE ACCOUNT COSTS

582 Sponsor force account work including planning, engineering, or construction undertaken by the
 583 sponsor’s employees is allowable if the effort is necessary to complete the project and has been
 584 approved by the ARP Field Office in advance of the grant offer (see [Chapter 3, Grant Prerequisites](#)).

585 **2-3.6.6.9. HAZARDOUS CHEMICAL MITIGATION**

586 The cost for hazardous chemical mitigation, including per- and polyfluoroalkyl substances (PFAS), is
 587 allowable when required by an environmental decision document or when necessary for approval and
 588 permitting for an AIP-eligible project.

589 **2-3.6.6.10. PERMITTED COSTS NOT TYPICALLY ALLOWABLE**

590 The ARP Field Office has the option of funding a cost which is not typically allowable if the effort is
 591 necessary to complete the project. Typical examples of these costs include:

- 592 ▪ Planting trees (landscaping) that are required as environmental mitigation. The allowable costs
 593 are limited to only what is necessary to comply with the environmental determination.
- 594 ▪ Fire hydrant installation required by local codes. The effort must be necessary to complete the
 595 project.

596 **2-3.7. PROHIBITED PROJECTS AND UNALLOWABLE COSTS**

597 Certain projects are prohibited or not eligible for AIP funding unless specifically cited in statute. The
 598 following table, which is not comprehensive, contains examples of projects/costs that are frequently
 599 questioned. Additional information may be provided in the appendix related to the cost.

600 **TABLE 2-3.17. EXAMPLES OF PROHIBITED PROJECTS AND COSTS**

Example	Specifically
Administrative Costs by Percentage	Costs as a percentage of the grant amount are not allowable; only actual costs are allowable and must be based on the work necessary to complete the project.
Administrative Costs for AIP Program Management	Costs incurred for managing the grant program are not allowable; only costs specifically related to carrying out the project are allowable.
Budget Augmentation	Combining AIP funds with other Federal program funds where the other agency or organization receives Federal funding for the activity or project; this is only allowable when legislative authority has been granted for budget augmentation within an AIP grant: <ul style="list-style-type: none"> ▪ Economic development agency and Appalachian regional commission grants, which have specific authority to give grants for local matching share of other Federal programs; ▪ Costs for instrument landing systems to be transferred to the FAA under appropriation statutes; and ▪ The incidental costs for clearing, grading and grubbing for an AIP project that may also provide site preparation for FAA facilities.

Example	Specifically
Catering	Refreshments at meetings or events for an AIP project.
CIP Update as Project Formulation	Updates to an airport’s CIP as part of a project formulation cost. Updates to an airport’s CIP are only eligible if warranted as part of a new or updated master plan grant.
Computer Software	Software, including common use gate software, that does not meet the requirements in 2-3.6.6.4.2. , Computer Software, Data Acquisition, and Subscription Costs.
Computer Hardware and Software – Certain Situations	Costs associated with repair, replacement or upgrading AIP-funded computer hardware or software that has not exceeded the minimum useful life and met further justification requirements.
Conferences, Seminars, and Courses	Costs for tuition, travel, or subsistence for the sponsor’s personnel to attend.
Construction on Land Leased from Private Entity	Leasing property from a private entity does not meet good title as discussed in Chapter 3, Section 3-3.1.1, Project on Airport Property with Good Title.
Contingency or Allowance	Costs for contingencies or allowances; only actual costs may be paid for completed work.
Correcting or Doing Something More than Once – Construction, Equipment, or Land	Project costs are based on the general AIP premise that the intended project is correct. Costs not required to complete the project correctly the first time are prohibited. This includes restocking charges for overordering, replacement while under warranty, and removal and replacement of pavement or items that do not meet FAA specifications.
Correcting or Doing Something More than Once – Design or Planning	Project costs are based on the general AIP premise that the intended project is correct. Cost to redesign a project, except in specific instances, such as AC changes (see Section 2-3.6.4, Costs Must Not Be in Another Federal Grant) and design omissions that were not negligent where the additional work was necessary and would have been done anyway under a correct set of plans.
Costs to Recover Improper Payments	Costs incurred by a sponsor to recover improper payments are not an allowable cost of an AIP grant project. Although 2 CFR Part 200 considers costs to recover an improper payment an allowable cost, these costs are not allowable for grants issued under 49 U.S.C. Chapter 471 . AIP grants are project specific and limited by 49 U.S.C. § 47110 to only those costs that are reasonable and necessary to carry out the project. The costs to recover improper payments do not meet that statutory requirement.

Example	Specifically
Damaged AIP-Eligible Facilities or Equipment	Costs associated with the repair or replacement of damaged facilities or equipment are not permitted unless the sponsor can prove there is no other avenue for funding such as insurance, legal recourse, an airport emergency fund, or through another Federal agency responsible for disaster recovery.
Damaged Non-AIP Eligible Facilities or Equipment	Costs associated with repair or replacement of non-AIP eligible facilities or equipment are not eligible without express congressional authorization.
Decorative Landscaping	Costs for decorative landscaping planting can only be funded to the extent that it is a cost necessary to complete an AIP project, such as erosion control.
Disadvantaged Business Enterprise (DBE) Plan Updates as Stand-Alone Plan	DBE updates are required when the anticipated amount of Federal funding is \$250,000 or greater in a Federal fiscal year; the cost to complete the update is allowable as necessary to complete the triggering project.
Equipment – Turned Over at End of Project	Contractor acquisition of non-expendable equipment necessary to complete a project. While the cost associated with the temporary use of non-expendable equipment is eligible under AIP, the acquisition of such equipment under a development grant is not. The practice of requiring a project contractor to transfer ownership of temporary non-expendable equipment to the owner at the end of the project is an impermissible procurement action. AIP may not participate in costs associated with acquiring equipment for day-to-day airport operations, including direct and indirect acquisitions.
Extended Warranties	Not allowable under 2 CFR Part 200 .
Fundraising	Any cost incurred by a sponsor’s fundraising efforts, including interest and premium charges and administrative expenses involved in conducting bond elections or in selling bonds, unless specifically allowed by statute, regulation, or similar provision.
Indirect Costs – Applied to Other than Salary or Wage Costs	The rate approved under the CAP (also referred to as the indirect cost allocation plan (ICAP) rate) for a sponsor is applied only to the costs associated with the sponsor’s employee’s hourly rate. The rate is not a multiplier on anything but the employee’s hourly rate. This means that the ICAP rate cannot be applied to contract costs, construction costs, consultant costs, or any other cost that is not a sponsor’s employees’ salaries and wages for hours worked on an AIP project.
Instrument Flight Procedure Design / Establishment Costs	Costs to design new instrument flight procedures or to fund the costs associated with establishing a new procedure, except in very limited

Example	Specifically
	circumstances that are discussed in Appendix B, Aircraft Operational Surfaces , and Appendix G, NAVAIDS .
Instrument Flight Procedure Design – Third Party	Projects and costs associated with third-party instrument procedure development are generally prohibited, unless the FAA is unable to develop such procedure within the standard prioritization schedule or the project scope requires a “special” procedure in accordance with AC 90-110C, Service Provider Authorization Guidance for Public Performance Based Instrument Flight Procedures (IFPs) . Approval by ARP Headquarters through the ARP Field Office is required.
Interest Charges	Interest charges, except for payment of interest directed by a court in a condemnation proceeding, which then becomes part of the condemnation award and allowable. However, where the amount deposited in court as FMV was adequate and could have been withdrawn by the property owner without prejudice to his / her rights in the condemnation proceeding, such interest payment is not allowable.
Certain Legal Fees	Legal costs associated with defending a specification or Federal contract requirement are not allowable.
Specific Liability Insurances	Liability insurance that is: <ul style="list-style-type: none"> ▪ Well beyond that normally carried by the contractor or consultant for their own protection, including liability for damages beyond the scope of the consultant contract; or ▪ Held by the sponsor to be indemnified by the contractor against potential damages.
Lobbying	Costs associated with lobbying for a project or influencing Federal employees.
Maintenance Bonds	Costs are not required under 2 CFR Part 200 .
On-The-Job Training Programs	Costs associated with establishing apprenticeship or on-the-job training programs. Agencies such as the Federal Highway Administration have specific statutory authorization to establish such programs, unlike the FAA.
Operations or Maintenance Costs	General operations and maintenance activities, except those allowed per statute, which are discussed in specific appendices.
Portable Emergency Generators	Portable emergency generators or light plants that function essentially as portable emergency generators.
Improper Bid Alternate Procurements	Costs determined by using bid alternates as a cost estimating tool are not allowed. The sponsor is not allowed to bid alternates with no intention of awarding.

Example	Specifically
Projects Without Eligibility Determinations	Any project not determined to be eligible by the FAA.
Sculptures or Works of Art	Costs are not eligible per 49 U.S.C. § 47110 .
Training	Costs are not allowable, except when acquiring training systems and / or equipment is necessary to complete an AIP-eligible project.

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