



# Federal Aviation Administration

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## Memorandum

Date: June 1, 2026

To: Regional Airports Division Directors, AXX-600  
Regional Airport Planning and Programming Branch Managers, AXX-610  
Airports District Office Managers, XXX-ADO

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Subject: Program Guidance Letter (PGL) 26-04: Incentive Payments for Early  
Completion of Certain Projects

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### Purpose

The purpose of this PGL is to explain allowability of certain project costs for airport financial assistance programs administered by the Federal Aviation Administration (FAA). It further implements the Expedited Delivery of Airport Infrastructure Act of 2021 (P.L. 117-186, October 10, 2022) by identifying next steps for Office of Airports (ARP) personnel and airport sponsors. The Act modified 49 U.S. Code § 47110 by making incentive payments for early completion of a project to a contractor an allowable cost when specific conditions are met.

### Background

Before the Expedited Delivery of Airport Infrastructure Act of 2021, incentive payments to contractors were not allowable costs for Airport Improvement Program (AIP) grants.<sup>1</sup> The Act now allows airport sponsors to receive Federal reimbursement of incentive payments paid to contractors for early completion of construction projects, following approval per this PGL. Per the Act, the maximum AIP-eligible incentive payment is the lesser of \$1 million or 5 percent of the initial contract amount for the relevant project.

For purposes of these incentive payments, the FAA considers a project or project phase complete upon “substantial completion” (as defined in FAA Order 5100.38D, AIP Handbook). Following substantial completion of the project and coordination with the FAA, a sponsor may request reimbursement for supported incentive payments paid to the contractor, consistent with the content of this PGL.

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<sup>1</sup> Airport sponsors were only able to offer early completion bonuses with non-federal funds. This is documented in Table C-2, Section 13, Table U-9, Section (9)(d), and Table U-13, Section 12 of the AIP Handbook.

An incentive payment for early completion is an allowable AIP cost for any contract when approved before bidding and after the publication date of this PGL. The airport sponsor should obtain FAA approval of the proposed incentive payment before bid document release. The incentive payment terms must meet the requirements in this PGL. As a tool, attached is an optional FAA Checklist for Incentive Payment (Incentive Checklist).

How a sponsor and contractor agree to an incentive payment for early completion may be different from how the FAA conceives of incentive payment reimbursement as part of a grant award. The FAA does not have to reimburse the sponsor for any or all of its incentive payment.

### **Section I: Determining if a Project is an Incentive Payment Candidate**

If a sponsor considers including an incentive payment provision in a contract, they should contact their Region/ADO before finalizing required bid documents and advertising the project. The Region/ADO should determine if the project is a good candidate for incentive payment reimbursement and meets statutory requirements before the project is bid. By policy, FAA limits application of these incentive payments to Design-Bid-Build delivery methods to ensure that the Federal investment does not provide a double benefit, because alternative delivery methods are inherently designed to incentivize accelerated completion. A contractor must not include the proposed incentive payment as part of the base bid but may include it as an additive alternate that does not alter the base bid award decision.

The Act includes five requirements (below) for an incentive payment to be approved as an allowable cost under a grant. Contracts must document the conditions under which the project would meet each requirement that makes the project eligible for an incentive payment. To aid in this process, the sponsor may use the optional Incentive Checklist to determine if the project meets the following criteria:

1. ***An incentive payment may not exceed the lesser of 5 percent of the AIP-eligible costs of the initial construction contract amount or \$1,000,000.*** “Initial construction contract” refers to the contract(s) for project construction at the time of award before any change orders. The incentive payment shall not be increased regardless of upward amendments or change orders.
2. ***The level of contractor's control of, or access to, the worksite necessary to shorten the duration of the project does not negatively impact the operation of the airport.*** The contractor cannot add disruptions to airport operations that would not have occurred under the planned project timeframe (i.e., shutting down a runway for additional time periods if only night closures were planned).

A contractor may propose changes to the construction schedule to help them achieve early completion. All proposed changes must go through the appropriate approval process as described in AC 150/5370-10H. Therefore, all stakeholders should be aware of potential delays inherent to those processes (e.g., the FAA has 45 days to review and approve a revision to a Construction Safety Phasing Plan).

3. ***The contract specifies application of the incentive structure in the event of unforeseeable, non-weather delays beyond the control of the contractor.*** If the contractor claims they would have met the conditions for an incentive payment if not for unforeseen circumstances, the contractor may qualify for the incentive payment if unforeseen circumstances include non-weather qualifying delays. This is subject to sponsor and RO/ADO review. The process for claiming delays and requesting time extensions is covered in AC 150/5370-10.

Qualifying delays may include unforeseeable, non-weather delays such as:

- Supply chain issues,
- Labor issues such as strikes,
- Legal issues,
- Accidents,
- Required FAA actions, or
- Delays caused by unrelated projects or activities of the airport operator that impede access to the job site.

AC 150/5370-10 already applies for any delays to a regular completion timeline, which may include delays due to weather. The principles of that AC are the framework for the incentive payment timeline, but the allowance of additional time for weather-related delays in the AC is not applicable to incentive payments. The contract should be consistent when specifying qualifying delay conditions, whether for the regular completion date or the early completion incentive date. The time extension granted to the overall contract will, in turn, extend the incentive payment timeframe. The incentive time extension will be the same length as the approved overall contract extension and not be based on a proration calculation.

4. ***Nothing in any agreement with the contractor prevents the airport operator from retaining responsibility for the safety, efficiency, and capacity of the airport during execution of the grant agreement.*** Through language in the contract, the airport sponsor must retain the right to ensure the safety, efficiency, and capacity of the airport and the quality of the project, not limited to the approval and/or denial of proposed schedule changes.
5. ***The FAA must determine that the use of an incentive payment is likely to increase airport capacity or efficiency, or result in cost savings due to shortening the project's duration.*** Sponsors must identify a quantifiable benefit in one of the following areas:
- a. The completed project will result in increases in airport capacity. This includes accommodating more passengers, cargo, aircraft operations, or based aircraft.
  - b. The completed project will result in improved airport efficiency. This may include more efficient aircraft movements without improvements that increase capacity.
  - c. Early completion of the project will result in cost savings for any party impacted by implementation of the project. This could include cost savings to airport operators or users, or projects or contracts other than the project that is the subject of the current grant (e.g., early completion of a runway rehabilitation project that allows for collection of airport revenue).

## **Section II: Implementation**

***Applicable Funding.*** The Act does not appropriate additional funding for incentive payments. Airport sponsors should also utilize entitlements towards this payment when possible.

***Grant Application.*** The incentive payment must be broken out separately on Line 13, “Miscellaneous,” of FAA Form 5100-100 and submitted on the final grant application (SF-425). Incentives not approved through the process outlined in this PGL are considered non-eligible costs.

***Project Planning/Programming.*** The incentive payment should be planned in SOAR as part of a capital project under the overall development (ODO work code). If a single contract for a project is awarded that is planned in SOAR using multiple phases, the incentive payment capital project shall be included on the grant with the final phase of the contract since the funds will not be needed until substantial completion. The capital project containing the incentive payment funding shall be flagged with the Early Completion Incentive flag in SOAR. When programming the grant, include the amount of the maximum incentive payment in the grant remarks.

***Grant Agreement.*** The Region/ADO must add this special condition to the grant document:

***Incentive Payments for Early Completion of Construction Projects.*** *The sponsor understands and agrees that:*

- a. *This Grant includes funding for potential incentive payments related to AIP-eligible initial construction contract costs for contractors and subcontractors.*
- b. *The FAA agrees to reimburse the approved incentive payment only after the sponsor demonstrates:*
  - i. *The project has reached substantial completion before the contractually specified deadline.*
  - ii. *The project was completed in conformance with contract documents and grant agreement.*

***Incentive Condition Not Met.*** If all the conditions are not met for an incentive payment, and therefore the FAA determines that the maximum grant obligation of the United States exceeds the expected needs of the sponsor, the FAA can issue an amendment at closeout to the sponsor unilaterally reducing the maximum obligation.

***Contracts Versus Grants.*** Airport sponsors may execute entire projects through single or multiple contracts with single or multiple grants (phased). 49 U.S Code §47110(b)(1)(B)(i) states that incentive payment limits apply per contract, not by the number of grants. Therefore, only a single incentive payment would be eligible for federal reimbursement if the project is bid through a single contract. Alternatively, multiple incentive payments would be eligible if the project is bid through multiple contracts.

### **Section III: Project Outcome Conformance with Incentive Requirements**

Once a project is substantially complete, the airport sponsor must gain FAA concurrence by providing evidence if the incentive requirements were met or why they are denying the payment.

### **Section IV: Moving Forward**

The FAA will update the AIP Handbook to reflect this new allowable cost. The FAA will also update related ACs, such as 150/5370-10, accordingly. Given the novel nature of this allowable cost, the FAA may publish subsequent guidance based on lessons learned from contracts executed in accordance with this PGL.

Attachment