



U.S. Department
of Transportation
**Federal Aviation
Administration**

Memorandum

Subject: **ACTION**: Program Guidance Letter 98-1

Date: DEC 19 1997

From: Manager, Airports Financial
Assistance Division, APP-500

Reply to
Attn. of:

To: PGL Distribution List

98-1.1 Cost Reimbursement for projects commenced prior to grant award - Jim Borsari (202)267-8822.

The Federal Aviation Reauthorization Act of 1996 contained a provision that was enacted substantially as proposed by FAA. The provision authorizes reimbursement for costs incurred prior to a grant, using primary airport entitlements only, for airport development work commenced after September 30, 1996.

Prior to this change, costs incurred prior to execution of a grant agreement only could be reimbursed under narrow circumstances, i.e., project formulation, land purchased after May 16, 1946, certain bond costs for terminal buildings and other very specific instances. The purpose of this new provision is to provide flexibility to continue airport development and preserve a sponsor's eligibility for reimbursement of project costs, even when authorizations or other suspension of funding occurs.

Part of this proposal directed that FAA be aware of and party to any decision to proceed with work prior to a grant for the purpose of assuring that "all statutory and administrative requirements" applicable to the project have been met as if the project had been carried out after the grant agreement had been executed (section 144 of the 1996 Act). The work must also be in accordance with an approved airport layout plan.

A further provision specifies that a project using this cost reimbursement provision will not receive priority consideration for discretionary funds even if the entitlements are insufficient for the Federal share of project costs.

Note that this provision does not expire at the end of the current AIP authorization period. Consequently, sponsors may use this provision to obtain reimbursement beyond FY 1998, subject to future amendments which could affect primary apportionments.

Any interested sponsor should be advised to notify the appropriate FAA Airports office of its intention to proceed with a project prior to a grant agreement and to request subsequent reimbursement of allowable costs through its primary airport entitlements. After reviewing appropriate statutory and administrative requirements, the Airports office should advise the sponsor of its concurrence/nonconcurrence in the use of this provision.

Sponsors should also be aware that FAA concurrence does not represent an obligation on the part of the FAA since only the grant agreement itself carries this obligation. Likewise, since FAA's concurrence in a sponsor's use of this provision is not a decision on a grant award or letter of intent, concurrence in these projects is not subject to OST announcement and release procedures, although subsequent grants will be. Regions should maintain records adequate to determine out-year entitlement use, and to make such information available to APP-500 upon request.



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