

NOTICE

U.S. DEPARTMENT OF TRANSPORTATION FEDERAL AVIATION ADMINISTRATION

National Policy

N 2500.79

Effective
Date: Dec. 10, 2004

Cancellation
Date: Dec. 10, 2005

SUBJ: Advance Payment Requirements for Reimbursable Agreements with Non-Federal Entities (Public)

1. **Purpose.** To be consistent with governmentwide policy, this guidance establishes FAA-wide policy on collection of advances when entering into a reimbursable agreement with the Public. This guidance is in effect until the FAA order on reimbursable agreements (2500.35C) and the FAA Acquisition Management System (AMS) policy on reimbursable agreements can be updated in their entirety.

2. **Distribution.** This order is distributed at the division level in Washington headquarters and in the regions.

3. **Background.** The Office of Management and Budget (OMB) Circular No. A-11, "Preparation, Submission, and Execution of the Budget", requires agencies to collect an advance when they enter into a reimbursable agreement¹ with non Federal entities (Public)². OMB does not consider receivables from the Public as a budgetary resource until collected. Collection of an advance is to remedy the resulting shortfall in the budgetary resource.

To improve financial management and reporting practices continuously and to comply with Federal requirements, the FAA issues this guidance on "Reimbursable Agreements with Non-Federal Entities". The limited rather than full advance of funds required by this Notice meets the intent of the A-11 requirement to collect advances, without placing an undue burden on non-federal entities.

4. **Scope.** This guidance applies to collection of advances for new reimbursable agreements and amendments to existing agreements with the Public entered into from the effective date of this notice. This policy update does not apply to reimbursable agreements with foreign governments or international organizations since the FAA is considering policy changes related to advances for those types of agreements. It also does not apply to real property out-leases/permits; road/right of way access and use agreements; or other regularly recurring real property related maintenance agreements.

The FAA will only enter into a new reimbursable agreement when the Public entity will provide an advance or a deposit.

¹ This guidance refers to the term "reimbursable agreement" in a generic sense since OMB Circular A-11 refers to reimbursable agreements. Generally, these agreements are also appropriately called Other Transaction Agreements (OTA) with non-Federal entities.

² Includes private institutions, airports, state and local governments, international organizations and foreign governments.

All existing agreements signed by the Non-Federal party prior to October 1, 2004 are exempt from advance payment requirements set forth in this policy. However, the FAA may consider renegotiating payment terms, other than advance payment requirements, to eliminate any future budgetary resource shortfalls and the resulting reduction of direct funding.

5. Requirements for Agreements

a. **Advance type.** All new agreements must provide advances as follows:

(1) Agreements in the amount of \$25,000 or less must pay 100 percent of the amount in advance.

(2) Agreements greater than \$25,000 must pay an advance as follows:

(a) One month advance – Require small businesses³ and small airports (small hub, nonhub and non-primary airports) to provide a one month advance.

(b) Three month advance – Require other businesses and medium hubs or larger airports to provide a three month advance. Refer to Appendix A for a list of large and medium hub airports that would be subject to the three month advance requirement.

b. **Advance computation.** Use the agency's total estimated cost for each project to be reimbursed (including overhead, if applicable) for advance computation. Calculate the average monthly cost of the project by dividing the total estimated cost by the total number of months to complete the project.

Table 1 below provides examples for one month and three month advances.

Advance Type	Non-Federal Entity Size	Total Estimated Cost	Project Length (Months)	Average Monthly Cost	Advance Amount
One month	Small business or small airport	\$180,000	18	\$10,000	\$10,000
Three month	Other business or medium hub or larger airport	\$2,400,000	24	\$100,000	\$300,000

c. **Advance Collection.** FAA will collect the advance after signing the agreement and before incurring any obligations (labor and nonlabor). When a Contracting Officer (CO) sends a copy of the executed agreement, the CO will include a request for payment letter informing the Non-Federal party of the date that the advance payment is due. The contracting officer will include the agreement number in the request for payment letter. Project authorizations will not be set up for recording obligations until the advance is received by the Accounting Office.

³ As defined by the Small Business Act and required regulations of the Small Business Administration.

d. **Billing.** FAA will generate monthly bills based on the average monthly cost. Monthly bills will be issued until the total estimated cost has been collected. The advance will be held as a “no interest bearing” deposit until the final bill is issued and the project is closed. All funds due on the final bill will be netted against the total of the advance and monthly collections, and a refund or a bill will be issued as appropriate.

e. **Airport Grants.** For work funded through an Airport grant, advances are considered allowable costs for which grantees can request reimbursement. Since most AIP reimbursement transactions are accomplished by Letter of Credit (LOC), an airport may process the LOC transaction immediately before making the disbursement, under Department of Treasury guidelines. Additionally, airports not using LOC may use payment request forms after receipt of an invoice from FAA, provided the request would result in receipt by the airport immediately prior to the disbursement date. However, at the end of a project and before the last cash drawdown by the grantee, the FAA Airport organization and the grantee need to perform reconciliation and apply the advance amount to the grantee’s final cash drawdown.

f. **Waivers of Overhead.** The Director, Office of Budget must approve any waiver of overhead charges. Overhead may be waived when one of the following conditions exist:

- (1) An airport grant is a funding source.
- (2) FAA will receive an asset at the conclusion of the work (e.g., an air traffic modernization pilot program).
- (3) The sponsor pays for construction of an Air Traffic Control Tower (ATCT) or other FAA facility and the FAA will reimburse the sponsor through lease payments (e.g., air traffic control tower lease-to-own arrangement).
- (4) Sponsor donates local funds to assist FAA in installing FAA owned equipment (e.g., a lighting system).

g. **Adjustments to the Estimate.** The FAA will review the estimated cost of each agreement periodically, at least annually. Adjustments to the estimate and to the average monthly cost will be accomplished through a modification to the agreement.

h. **Legal Clauses.** Refer to Appendix B for legal clauses applicable to this guidance.



Ramesh K. Punwani
Assistant Administrator for Financial
Services and Chief Financial Officer

Appendix A Large and Medium Hub Airports

Region	City	State	Locid	Airport Name	Hub
AL	Anchorage	AK	ANC	Ted Stevens Anchorage International	M
CE	Kansas City	MO	MCI	Kansas City International	M
CE	Omaha	NE	OMA	Eppley Airfield	M
CE	St. Louis	MO	STL	Lambert-St Louis International	L
EA	Arlington	VA	DCA	Ronald Reagan Washington National	L
EA	Buffalo	NY	BUF	Buffalo Niagara International	M
EA	Dulles International Airport	VA	IAD	Washington Dulles International	L
EA	Glen Burnie	MD	BWI	Baltimore-Washington International	L
EA	New York	NY	JFK	John F Kennedy International	L
EA	New York	NY	LGA	La Guardia	L
EA	Newark	NJ	EWK	Newark Liberty International	L
EA	Norfolk	VA	ORF	Norfolk International	M
EA	Philadelphia	PA	PHL	Philadelphia International	L
EA	Pittsburgh	PA	PIT	Pittsburgh International	L
GL	Chicago	IL	ORD	Chicago O'Hare International	L
GL	Chicago	IL	MDW	Chicago Midway International	L
GL	Cleveland	OH	CLE	Cleveland-Hopkins International	M
GL	Columbus	OH	CMH	Port Columbus International	M
GL	Detroit	MI	DTW	Detroit Metropolitan Wayne County	L
GL	Indianapolis	IN	IND	Indianapolis International	M
GL	Milwaukee	WI	MKE	General Mitchell International	M
GL	Minneapolis	MN	MSP	Minneapolis-St Paul International/Wold-Chamberlain/	L
NE	Boston	MA	BOS	General Edward Lawrence Logan International	L
NE	Manchester	NH	MHT	Manchester	M
NE	Warwick	RI	PVD	Theodore Francis Green State	M
NE	Windsor Locks	CT	BDL	Bradley International	M
NM	Denver	CO	DEN	Denver International	L
NM	Portland	OR	PDX	Portland International	M
NM	Salt Lake City	UT	SLC	Salt Lake City International	L
NM	Seattle	WA	SEA	Seattle-Tacoma International	L
SO	Atlanta	GA	ATL	Hartsfield - Jackson Atlanta International	L
SO	Charlotte	NC	CLT	Charlotte/Douglas International	L
SO	Covington	KY	CVG	Cincinnati/Northern Kentucky International	L

Region	City	State	Locid	Airport Name	Hub
SO	Fort Lauderdale	FL	FLL	Fort Lauderdale/Hollywood International	L
SO	Fort Myers	FL	RSW	Southwest Florida International	M
SO	Jacksonville	FL	JAX	Jacksonville International	M
SO	Louisville	KY	SDF	Louisville International- Standiford Field	M
SO	Memphis	TN	MEM	Memphis International	M
SO	Miami	FL	MIA	Miami International	L
SO	Nashville	TN	BNA	Nashville International	M
SO	Orlando	FL	MCO	Orlando International	L
SO	Raleigh	NC	RDU	Raleigh-Durham International	M
SO	San Juan	PR	SJU	Luis Munoz Marin International	M
SO	Tampa	FL	TPA	Tampa International	L
SO	West Palm Beach	FL	PBI	Palm Beach International	M
SW	Albuquerque	NM	ABQ	Albuquerque International Sunport	M
SW	Austin	TX	AUS	Austin-Bergstrom International	M
SW	Dallas	TX	DAL	Dallas Love Field	M
SW	Fort Worth	TX	DFW	Dallas/Fort Worth International	L
SW	Houston	TX	IAH	George Bush Intercontinental	L
SW	Houston	TX	HOU	William P Hobby	M
SW	Metairie	LA	MSY	Louis Armstrong New Orleans International	M
SW	San Antonio	TX	SAT	San Antonio International	M
WP	Burbank	CA	BUR	Bob Hope	M
WP	Honolulu	HI	HNL	Honolulu International	L
WP	Kahului	HI	OGG	Kahului	M
WP	Las Vegas	NV	LAS	McCarran International	L
WP	Los Angeles	CA	LAX	Los Angeles International	L
WP	Oakland	CA	OAK	Metropolitan Oakland International	L
WP	Ontario	CA	ONT	Ontario International	M
WP	Phoenix	AZ	PHX	Phoenix Sky Harbor International	L
WP	Reno	NV	RNO	Reno/Tahoe International	M
WP	Sacramento	CA	SMF	Sacramento International	M
WP	San Diego	CA	SAN	San Diego International	L
WP	San Francisco International Airport	CA	SFO	San Francisco International	L
WP	San Jose	CA	SJC	Norman Y. Mineta San Jose International	M
WP	Santa Ana	CA	SNA	John Wayne Airport-Orange County	M
WP	Tucson	AZ	TUS	Tucson International	M

Appendix B

Advance Payment Provision (one month)

Article _____, Advance Payment Provision and Accounting Arrangements

[CO insert name of Non-Federal party] (hereinafter referred to as the Non-Federal party) must pay the FAA in advance when the agency is required to obligate funds to comply with this agreement. The FAA will provide an advance payment computation to the Non-Federal party showing the agency's estimated total cost to be reimbursed, divided by the total number of months to complete the project. The FAA will send the executed agreement to the Non-Federal party with the advance payment computation attached and a request for payment in the amount of one month's payment. Payment in the amount of [CO insert amount of one month's payment calculated above] must be received before the FAA incurs any obligation to implement this agreement. The advance payment will be held as a non-interest bearing deposit.

At the beginning of every month following execution of this agreement, the FAA will send a monthly bill to the Non-Federal party in the amount of [CO insert amount of one month's payment calculated above]. Payment must be received within thirty (30) days of the date on the bill. If payment is not received within the thirty (30) days, FAA may stop work on the project. Any fees, costs, or other expenses associated with the work stoppage will be paid by the Non-Federal party. If payment is not received within ninety (90) days after the date on the bill, the FAA may terminate the contract and termination costs will be paid by the Non-Federal party.

Any amount due on the final bill will be netted against the advance payment and, as appropriate, a refund or final bill will be sent to the Non-Federal party.

The following accounting office is the accounts receivable office for this Agreement:

Federal Aviation Administration
Accounting Division, Routing Symbol
Address
City, State, Zip Code
Telephone: (XXX) XXX-XXXX

The following accounting office is the billing office for this Agreement:

Company or Sponsor Name
Accounting Division/Point of Contact
Address
City, State, Zip code
Telephone: (XXX) XXX-XXXX

Advance Payment (three months)

Article _____, Advance Payment Provision and Accounting Arrangements

[*CO insert name of Non-Federal party*] (hereinafter referred to as the Non-Federal party) must pay the FAA in advance when the agency is required to obligate funds to comply with this agreement. The FAA will provide an advance payment computation to the Non-Federal party showing the agency's estimated total cost to be reimbursed, divided by the total number of months to complete the project. The FAA will send the executed agreement to the Non-Federal party with the advance payment computation attached and a request for payment in the amount of three (3) monthly payments. Payment in the amount of [*CO insert amount of three 3 monthly payments calculated above*] must be received before the FAA incurs any obligation to implement this agreement. The advance payment will be held as a non-interest bearing deposit.

At the beginning of every month following execution of this agreement, the FAA will send a monthly bill to the Non-Federal party in the amount of [*CO insert amount of one month's payment calculated above*]. Payment must be received within thirty (30) days of the date on the bill. If payment is not received within the thirty (30) days, FAA may stop work on the project. Any fees, costs, or other expenses associated with the work stoppage will be paid by the Non-Federal party. If payment is not received within ninety (90) days after the date on the bill, the FAA may terminate the contract and termination costs will be paid by the Non-Federal party.

Any amount due on the final bill will be netted against the advance payment and, as appropriate, a refund or final bill will be sent to the Non-Federal party.

The following accounting office is the accounts receivable office for this Agreement. The mailing address is:

Federal Aviation Administration
Accounting Division, Routing Symbol
Address
City, State, Zip Code
Telephone: (XXX) XXX-XXXX

The following accounting office is the billing office for this Agreement:

Company or Sponsor Name
Accounting Division/Point of Contact
Address
City, State, Zip code
Telephone: (XXX) XXX-XXXX

Advance Payment in Full

Article _____, Payment Provision and Accounting Arrangements

[CO insert name of Non-Federal party] (hereinafter referred to as the Non-Federal party) must pay the FAA in advance when the agency is required to obligate funds to comply with this agreement. The FAA will provide an advance payment computation to the Non-Federal party showing the agency's estimated total cost to comply with the agreement. The FAA will send the executed agreement to the Non-Federal party with a request for payment of the agency's estimated total cost. Payment in the amount of [CO insert total estimated FAA cost] must be received before the FAA incurs any obligation to implement this agreement. If reconciliation is necessary after the agreement expires or is terminated, the FAA will send a final bill or a refund without interest, as appropriate, to the Non-Federal party.

The following accounting office is the FAA accounts receivable office for this Agreement:

Federal Aviation Administration
Accounting Division, Routing Symbol
Address
City, State, Zip Code
Telephone: (XXX) XXX-XXXX

The following accounting office is the billing address for [CO insert name of Non-Federal party accounting office responsible]:

Company or Sponsor Name
Accounting Division, Point of Contact
Address
City, State, Zip Code
Telephone: (XXX) XXX XXXX

Termination Provision for Agreements with Advance Payments

Article _____, Termination

In addition to any other termination rights provided by this Agreement, either party may terminate this Agreement at any time prior to its expiration date, with or without cause, and without incurring any liability or obligation to the terminated party (other than payment of amounts due and owing and performance of obligations accrued, in each case on or prior to the termination date) by giving the other party at least thirty (30) days prior written notice of termination. Upon receipt of a notice of termination, the receiving party shall take immediate steps to stop the accrual of any additional obligations, which might require payment. All funds due after termination will be netted against the advance payment and, as appropriate, a refund or bill will be issued.

[CO should include any additional termination requirements that may apply, e.g. return of property to either party or other method of disposition].

Payment Computation and Request for Payment

To: [CO insert Non-Federal Entity name and/or point of contact]

From: [CO's name/title]

Date:

Re: Computation and Request for Payment for [CO insert agreement number]

This document is the payment computation and the request for payment referenced in Article [CO insert article number] of the reimbursable agreement between the Federal Aviation Administration and the [CO insert non-Federal entity name] (hereinafter referred to as the agreement) to which this document is attached.

[CO choose one of the following paragraphs below.]

Alternative 1 (to be used for monthly or quarterly payment)

As set forth in article [CO insert article number] in the agreement, the agency's total estimated cost to be reimbursed is [CO insert amount] and the total number of months to complete the reimbursable work is [CO insert number of months]. Dividing the total estimated cost by the number of months equals a monthly payment amount of [CO insert monthly amount].

Upon receipt of this notice, please send payment in the amount of [CO insert either a one month or three month advance payment as appropriate] to the FAA no later than 30 days after the date of this request. After payment is received, the FAA may begin to incur obligations to implement the agreement. All payments should be made as described in Article [CO insert article number] of the agreement.

Alternative 2 (to be used for 100 percent advance payment)

As set forth in article [CO insert article number] of the agreement, the agency's total estimated cost to be reimbursed is [CO insert total estimated cost]. Upon receipt of this notice, please send payment in the amount of [CO insert amount] to the FAA as described in article [CO insert article number] of the agreement no later than 30 days after the date of this request. After payment is received, the FAA may begin to incur obligations to implement the agreement.

When you send your payment, please include a copy of this document.

[Instructions to Accounting Office: Please notify [CO name and contact information] immediately upon receipt of payment.]