



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

Memorandum

Subject: Program Guidance Letter 89-2

Date: 01 MAR 1989

From: Manager, Grants-in-Aid Division, APP-500

Reply to
Attn. of:

To: PGL Distribution List

89-2.1 Letter of Intent (LOI) - Ellis Ohnstad (267-8824).

Section 111(c) of the Airport and Airway Safety and Capacity Expansion Act of 1987 amended the Airport and Airway Improvement Act (AAIA) by adding a new section 513(d). The new provision authorizes the Secretary to issue "letters of intent" to airport sponsors for capacity-enhancing projects at primary commercial service or reliever airports. Under this provision, a sponsor may notify the FAA that it intends to proceed with an eligible project without the aid of Federal funds and request subsequent reimbursement for the Federal share of project costs when Federal funds are available in future years.

The FY 1989 Transportation Appropriations Act authorized LOI's with payments scheduled beyond FY 1992, the last year in which the AIP is authorized. The 1989 Act further requires that all LOI's which involve more than \$10 million be submitted to the House Committee on Public Works and Transportation, the Senate Committee on Commerce, Science, and Transportation, and to the Appropriations Committees in both houses.

Much of the attached information regarding LOI procedures has been distributed earlier by various means. We are now supplementing that information with additional guidance on the FAA policy and the procedures to be followed when sponsors indicate interest in a letter of intent for an airport development project. Please refer to attachment A, LOI Procedures.

The AIP Handbook will be revised to incorporate this guidance, as modified on the basis of comments and experience.

89-2.2 Project Support where a Letter of Intent is not Planned - Ellis Ohnstad, (267-8824).

Care must be exercised in correspondence with a sponsor when expressing long term support for a project, but the project is not a candidate for an LOI. Use the following standard language in such correspondence to clarify that an expression of support and an informal agreement to provide financial aid should not be interpreted as a letter of intent.

The FAA has evaluated the proposed project and has concluded that it does not fully meet the essential criteria for issuance of a letter of intent (LOI). Therefore, although an LOI in 11 SF annual grants was considered, the FAA has determined that the project falls outside the legislative criteria for LOI's.

89-2.3 SF-424, Grant Application Form - Dick Angle (267-8825).

Based on the comments received from the regions to our letter dated September 9, we have reached the following conclusions:

1. Use the revised SF-424 (Rev 4-88) face sheet instead of the SF-424 Page 1 (Rev 4-84) and continue to use FAA forms 5100-100, 5100-101, 5100-30 and our own assurances in the grant preapplication and application processes. Please make this change effective as soon as practicable. The SF-424 face sheet may be reproduced locally. Use of the SF-424 (Rev 4-88) also will meet the new requirement that the certification in block 17 regarding Federal debt must be made by all sponsors, public and private.

2. When we get OMB approval, we will institute the use of the SF-424 (Rev 4-88) with our assurances and new FAA forms that only encompass those items in the current FAA Forms 5100-100, 5100-101, and 5100-30 that are not in the SF-424 (Rev 4-88).

89-2.4 Foreign Trade Restriction - Ben Castellano (267-8822).

With regard to the foreign trade restriction mandated by the FY88 Appropriations bill (see PGL 88-6.1), Japan is no longer listed by the U.S. Trade Representative and thus no restrictions now exist. However, since the Airport and Airway Safety and Capacity Expansion Act of 1987 has its own trade restriction provision, the standard contract language required by 49 CFR Part 30 and included in PGL 88-6.1 is still required to be included in AIP grants.

89-2.5 Capacity Project Selection Criteria - Dick Angle (267-8825).

The Federal Register on January 9 contained the notice to the public that the Capacity Project Selection Criteria document was available and could be obtained from the FAA Headquarters. Attached is a copy of the document (Attachment B) being sent to anyone who is interested. A number of copies also have been sent to all regions under separate cover.

89-2.6 Letter Of Credit - Dick Angle (267-8825).

One of the measures discussed over the past year which can potentially reduce regional workload in grant administration is a more wide-spread use of the Letter of Credit (LOC) method of grant payment. The process and threshold criteria are described in paragraph 1301 of Order 5100.38 and in Order 2700.33. We have had experience with this in several regions for the past several years and now believe it appropriate to extend LOC use to more airports in all regions. Henceforth, regions should advise sponsors which qualify for LOC's at the grant approval stage to consider their use. We believe the LOC offers a quicker cash drawdown for sponsors and reduces our paperwork. Initially, you may wish to test it in one or two states in your region but should move towards full use of LOC's wherever sponsors qualify by the end of FY 1990.

89-2.7 OST Regulation, Part 24, Uniform Relocation Assistance and Real Property Acquisition for Federal and Federally Assisted Programs - Jim Trowbridge (267-8773).

Amendments to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 become effective April 2, 1989, which means that airport operators with active land projects will have to comply with assurances in accordance with Sections 210 and 305 of the Act. These assurances are normally based upon provisions of State law that authorizes an agency to comply. In many cases, it appears that it will be necessary for States to enact additional legislation to permit airport sponsors to fully comply with the amendments.

Airport operators should be advised to take whatever steps they feel necessary to encourage State legislators to pass enabling legislation. The latest information available indicates that the following jurisdictions have not passed enabling legislation that covers airport operators: Alabama, Alaska, Arizona, Colorado, Delaware, Florida, Georgia, Indiana, Iowa, Maine, Maryland, Massachusetts, Mississippi, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, Puerto Rico/Virgin Islands, Vermont, and Wyoming. Sponsors in these states must provide a certification by their attorney that the sponsor can legally comply with the amendments, the current state law notwithstanding.

If an airport operator is unable to comply with the assurances to the amended Uniform Act, the FAA would not be able to approve any new projects involving land acquisition and/or relocation assistance. This also means Federal financial assistance would not be available for acquisitions and displacements occurring on or after April 2, 1989 on existing projects. Reimbursement for land acquisition and/or relocations costs incurred prior to April 2, 1989, are not affected by this provision.

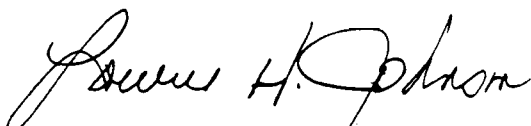
89-2.8 Use of Funds for Grant Amendments - Angela Ferrari (267-8820).

Amendments to AIP grants executed prior to FY 1988 may only be funded with recovered funds (recoveries from any AIP program year including the current year). No current year new funds or carryover entitlement funds may be used for such amendments. Amendments to grants executed in FY 1988 or later may be funded with current year funds, carryover entitlement funds and recovered funds (recoveries from any AIP program year including the current year).

Because amendments to AIP grants executed prior to FY 1988 can be funded from recoveries only, we cannot use recovered funds that are subject to ceiling restrictions for new grants or for amendments to grants executed in FY 1988 or later. This is only until we are certain that we have satisfied nationwide the amendments to grants executed prior to FY 1988. We will not know if we have satisfied all such amendments until very late in the fiscal year, perhaps as late as mid-September. Therefore, no region shall use AIP recoveries that are subject to a ceiling for any purpose except to satisfy amendments to AIP grants executed prior to FY 1988 unless permission for other use of these recoveries is received from headquarters. Headquarters will not be in a position to grant such permission before mid-September.

Recovered sponsor and State funds (entitlements) that are still within their active 3-year life cannot be withheld from their sponsor and State "owners" and are, therefore, not subject to the above restrictions. They continue to be subject to the ceiling on recoveries.

Amendments as discussed above pertain to amendments other than amendments made to multi-year grants to include latest year entitlements. PGL 88-4.4 is hereby cancelled.


Lowell H. Johnson

Attachment

POLICY AND PROCEDURES
FOR ISSUING
LETTERS OF INTENT

GENERAL. The FAA is authorized to issue a letter of intent (LOI) for certain airport development projects when current obligating authority is not timely or adequate to meet a sponsor's desired timing for a project. Under this provision, a sponsor may notify the FAA of an intention to carry out a project without Federal funds and request that the FAA issue an LOI. The FAA evaluates the proposal and, if approved, issues a letter stating that reimbursement will be made according to a given schedule, as funds become available. A sponsor who has received an LOI, therefore, may proceed with a project without waiting for an AIP grant, is assured that all allowable costs related to the approved project remain eligible for reimbursement, and may receive more favorable financing to pay related costs on the basis of announced Federal support for the project.

ELIGIBILITY.

Sponsor. Public agencies or private airport owners are eligible to receive a letter of intent.

Airport. LOI's may be issued to cover work only at primary and reliever airports.

Project. The project must significantly enhance system-wide airport capacity to be eligible for a letter of intent.

PROCEDURES. A principal goal in establishing the LOI procedures is that projects to be funded in this way be treated as much like conventionally funded grant projects as possible. In order to ensure that all statutory and administrative requirements attendant to the normal grant process are satisfied, the FAA will evaluate sponsor preapplications and review proposed projects as is done for a normally funded AIP project. At the point where an FAA office would issue a notice of allocation to the sponsor, that office will instead issue a letter of intent. Grant applications and offers will follow as set forth in the LOI payment schedule, subject to the availability of funds. Actions should occur as outlined below.

1. Early FAA/Sponsor Coordination. Consideration of an LOI for a large capacity-enhancing project may be initiated by an airport sponsor or the FAA. In either case, the sponsor should be briefed early on the general features of the LOI provision and on actions that the sponsor should take to obtain an LOI. The FAA office (region, district, field) which is the sponsor's normal point of contact for AIP matters will be the primary contact for the sponsor regarding an LOI. (It may also be desirable, from the sponsor's point of view as well as the FAA's, to hold a

joint FAA headquarters, region, and sponsor meeting so that all parties understand the purpose and scope of the project, FAA authority and policy, and sponsor financial needs, schedules, and responsibilities. This type of meeting may be more valuable in light of the added requirement that proposed LOI's for more than \$10 million be approved by committees in both the Senate and House.) As a minimum, the FAA and the sponsor should meet to discuss the following points.

- A sponsor must notify the FAA of an intention to proceed with a project and request a letter of intent. If the sponsor receives an LOI and then proceeds without the aid of Federal funds, the sponsor may later be reimbursed under the terms of the LOI. The notice should be submitted during project formulation or the preapplication phase and should specify the forecast dates for implementing the project or stages of the project and the estimated costs associated with each stage of construction. There should also be a requested schedule of FAA payments under the LOI. The notice may accompany the preapplication or be submitted separately.

- A letter of intent may only be issued for capacity-enhancing projects at primary and reliever airports. Criteria for evaluating proposed projects are outlined below.

- A project under an LOI must satisfy all statutory and administrative programming requirements for an AIP project. Sponsors should be advised to proceed as though they had received Federal funds and should fulfill all environmental, civil rights, bidding, procurement, and contracting requirements associated with an AIP grant, even though no Federal funds are received at the time the project is initiated.

- All documents normally submitted with a preapplication should be submitted in support of a request for an LOI. In addition, the airport layout plan, property map and sponsor assurances normally submitted with a grant application must accompany the preapplication.

- An LOI may not include funds from current obligating authority, although a current year grant may be issued in partial support of the project. A statement in the LOI should note the current year grant but not incorporate it in the schedule of prospective payments. Both entitlement and discretionary funds may be used in an LOI.

- To be considered for an LOI at a primary airport, the project cost should exceed three years of forecast sponsor entitlement funds. If not, the project should be funded under a multi-year grant agreement in accordance with existing guidance.

- The sponsor should agree to commit all entitlements

over the life of the LOI to the project. An exception may be made if entitlement funds are already committed for other urgent needs. In such a case, the payment schedule in the LOI will have no funds under the apportionment heading.

- An LOI may be issued with payments scheduled beyond the statutory expiration of the AIP (currently September 30, 1992), as authorized by the FY 1989 Department of Transportation and Related Agencies Appropriations Act (Public Law 100-457).

- The total of discretionary funds in all LOI's subject to future obligation will be limited to approximately 50 percent of the forecast discretionary funds available for that purpose.

- An LOI will not be issued until construction is imminent. Consequently, all environmental actions should be complete before issuance of a letter of intent.

- An LOI may be amended in future years to adjust the total maximum Federal obligation, the schedule of payments, or both. Considerations which may lead to an amendment include, but are not limited to, a change in project cost, change in project timing or scope, or changes in future obligating authority.

- Alternative funding levels and schedules should be discussed. The FAA position is to use the LOI provision to encourage the maximum number of capacity-enhancing projects. Consequently, the FAA should ensure that sponsor resources are used to the maximum extent reasonable, and that Federal financial support should be the minimum amount needed to allow the project to proceed.

- Costs incurred prior to the issuance of an LOI will not be reimbursed, except project formulation costs.

2. FAA Actions to Approve the Project. Regions should notify APP-500 promptly when a sponsor expresses interest in obtaining a letter of intent. Preliminary information should include a general description of the proposal, the estimated cost, the forecast schedules for construction and reimbursement, and an indication of whether the project is a good candidate for an LOI.

All normal preapplication review and evaluation actions should be completed as if the project were being programmed for a grant. It is important that the sponsor understand that work that is normally ineligible under an AIP grant is not eligible under an LOI. Similarly, the sponsor should be briefed on the importance of complying with all Federal procedures on bidding, civil rights, contract award, and approval of plans and specifications so as to be reimbursed under the LOI.

The magnitude of projects which are candidates for LOI's is such that they will be expected to exceed regional project approval authority. Therefore, when regional review is complete and a project is recommended for approval under an LOI, the programming package will be submitted to APP-500 for final approval and processing. The programming package should include a proposed letter of intent (sample copy attached) specifying any current year grants issued or to be issued, the recommended maximum Federal obligation and the proposed payment schedule.

APP-500 will complete the headquarters actions necessary to complete the approval process and initiate the OST/Congressional notification process. The Congressional notification will state the FAA's intention to grant funds, not to exceed the estimated total Federal share of allowable project costs, and any amounts that are approved for allocation in the current year. It is not expected that additional Congressional notification will be needed for subsequent grants in accordance with the approved payment schedule.

3. Issuance of LOI. FAA will issue the letter of intent to the sponsor when the Congressional notification is complete. The same official who normally signs a grant offer for the FAA will be the official who signs the LOI. (If a current year grant is approved at the same time, a notice of allocation may be transmitted simultaneously.) The LOI should include the following:

- LOI number and airport name (the number should be based on the region's three letter code, the fiscal year of issuance, and a sequential number, e.g., AGL-88-02, the second LOI issued by AGL in FY 1988);
- a brief project description;
- the maximum amount of Federal funds which will be made available for the project;
- a schedule of reimbursements;
- a statement that the sponsor must comply with all statutory and administrative requirements applicable to an AIP grant;
- a statement that the LOI is not considered to be an obligation of the United States, shall not be deemed an administrative commitment for funding, but it shall be regarded as an intention to obligate from future budget authority as such funds become available; and
- a statement that the LOI may be amended to adjust the maximum Federal obligation, the payment schedule, or both.

The FY 1989 Appropriations Act requires that all LOI's be submitted to the committees on Appropriations in the House of Representatives and the Senate, the Committee on Public Works and Transportation in the House, and the Committee on Science, Commerce and Technology in the Senate. The submission will be through the DOT Office of Congressional Affairs (I-10) to the committees at the time that the normal Congressional notification process is initiated. It is expected that any Congressional objection to the issuance of an LOI for a project will be communicated to the FAA within 30 days. Actual Congressional notification will occur after action by the House and Senate committees.

The attached sample letter of intent has been coordinated with the Office of General Counsel, and should serve as the basis for all LOI's. Any special language to be added to address specific project issues should be coordinated in advance with Washington headquarters. APP-500 will provide regions with any revisions to this format as they occur.

4. Post-LOI Actions. All actions that would normally follow the notification of allocation, except those related to grant offer, acceptance and payments, must be completed as if a grant had been issued. If a sponsor proceeds without satisfying all of the "statutory and administrative requirements" associated with an actual grant, the commitment to reimburse the sponsor under the LOI may be voided. Therefore, the FAA must be involved in review and acceptance of plans and specifications, pre-bid conferences, concurrence in the contract award, preconstruction conference, notice to proceed, and so on, through final inspection. Sponsors should fully understand that failure to comply with all Federal requirements could jeopardize later reimbursements.

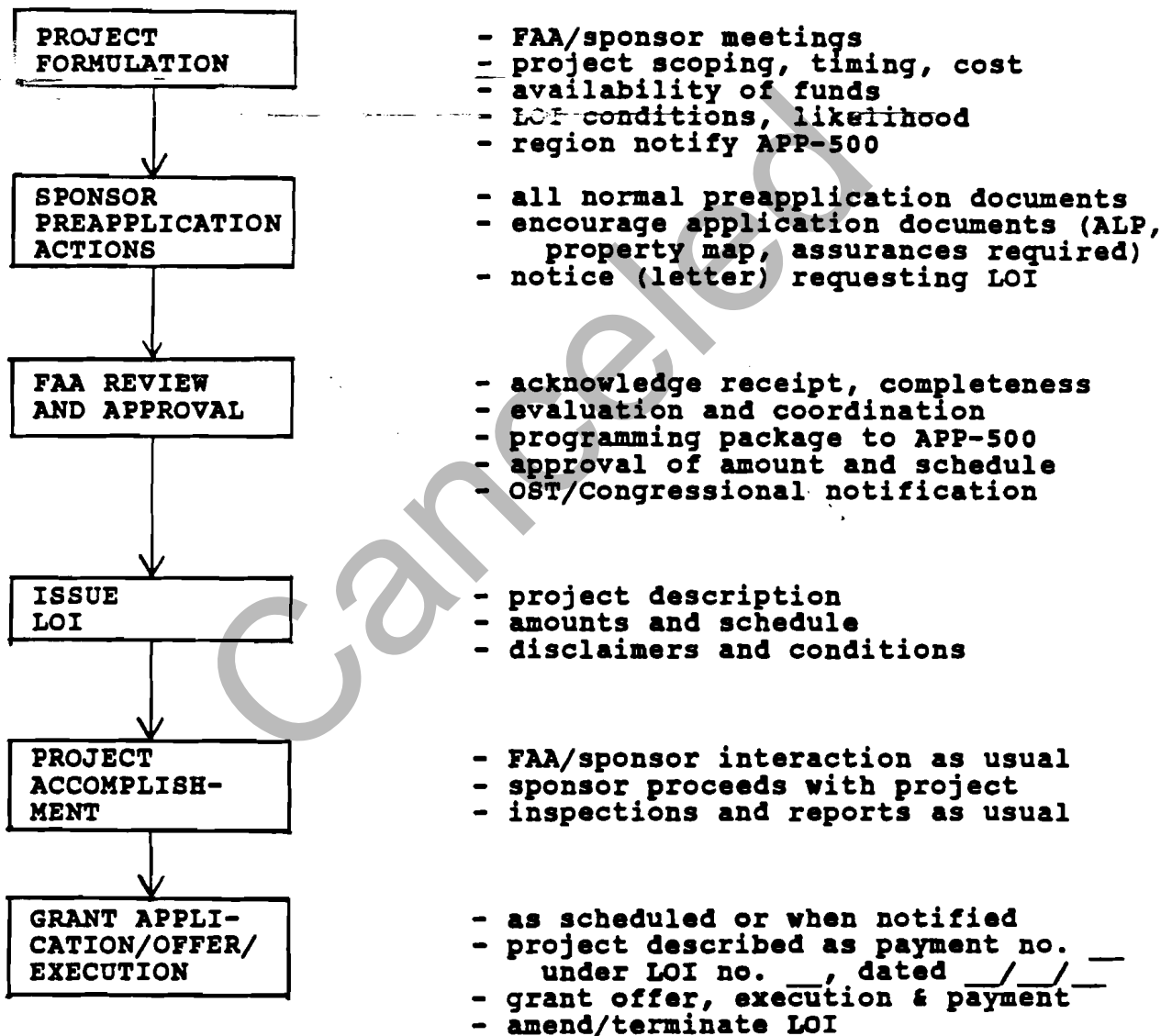
5. Grant Application and Offer. When the authority to obligate funds for a project under an LOI is received, the sponsor should be notified to submit a grant application and all additional documentation needed at that time. The project description on the SF-424 need only state that the application is for a scheduled payment for a project under a specified letter of intent. Additional documentation may include periodic construction progress reports, inspection reports, or other evidence of satisfactory progress. The grant application may be for costs already incurred or for prospective costs. If the application includes costs not yet incurred, however, the FAA should ensure that the costs are imminent, rather than anticipated at some unspecified date in the future.

6. Administration of Letters of Intent. There will be an ongoing need to maintain up-to-date records of outstanding commitments under the LOI provisions. In addition, projects constructed under LOI's are likely to be more complex and to

require longer completion times than those initiated with current year allocations and grants. Consequently, there may be a need to periodically review the amount of funds originally agreed to in a letter of intent and to adjust the estimate for funding needed in the out years. In any case, APP-500 should be advised of any changes in the amounts or status of such future funding agreements.

Because these projects will be administered in the same way as conventionally funded projects, there will be ongoing FAA field involvement as each project phase is completed, as subsequent phases come to bid, and as successive grants are issued under the LOI. In cases where substantial changes in project costs are apparent, the FAA office administering the project is authorized to issue an amended LOI, after coordinating with APP-500, increasing or decreasing the Government's maximum obligation or revising the payment schedule.

Substantial revision or abandonment of a project initiated under an LOI is not anticipated. In such an event, however, consult APP-500 to determine the appropriate course of action. Although the limitation on grant amendments (currently 15 percent) does not apply to LOI's, caution should be exercised in considering project changes which would substantially increase the cost. Should a sponsor seek to obtain another LOI for projects not covered by the first LOI, the sponsor's new proposal should be evaluated in the same way as the original.

FLOW CHART OF LOI ACTIONS

LETTER OF INTENT
NUMBER [number]
[airport name]

The Federal Aviation Administration ("FAA") hereby announces its intention, effective this date, in accordance with the provisions of section 513(d) of the Airport and Airway Improvement Act of 1982, as amended ("Act"), to obligate funds from future budget authority to issue grants to pay the [airport sponsor] ("Sponsor") for the United States share of allowable costs at the [airport] for the project described as follows:

[project description]

as more fully described in the Sponsor's [revised] preapplication for Federal assistance number [number], dated [date] ("Project").

The maximum United States obligation pursuant to this Letter of Intent for the Project described above shall be an amount not to exceed [\$amount]. [This amount is in addition to [\$amount] covered by a grant to be issued from fiscal year 1988 budget authority for work which will commence after the date of execution of the grant agreement.] Upon application by the Sponsor, the FAA shall issue grants from future budget authority, as funds become available, according to the following schedule:

<u>fiscal year</u>	<u>apportionment</u>	<u>discretionary</u>	<u>total</u>
[year]	[amount]	[amount]	[amount]
[year]	[amount]	[amount]	[amount]
[year]	[amount]	[amount]	[amount]
[year]	[amount]	[amount]	[amount]

The announcement of this intention shall not be deemed an obligation of the United States Government under section 1501 of title 31, United States Code, nor shall this Letter of Intent be deemed an administrative commitment for funding. This Letter of Intent shall be regarded as an intention to obligate funds from future budget authority. No obligation or administrative commitment may be made pursuant to this Letter of Intent except as funds are provided in authorization and appropriation Acts.

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Letter of Intent
Number [number]

The FAA may, from time to time, following consultation with the Sponsor, amend this Letter of Intent to adjust the payment schedule or the maximum United States obligation specified above, or both. Such adjustment may be made by the Federal Aviation Administrator when occasioned by changes in the actual allowable costs of the Project, in the actual time required to complete the Project, in actual or estimated future obligating authority, or otherwise, when determined in the Administrator's discretion to be in the best interests of the United States.

The FAA will give full consideration to the aggregate amount of future obligations and the payments scheduled under all outstanding Letters of Intent in formulating its annual budget requests. A statutory restriction on total obligating authority in a future fiscal year, however, may necessitate a reduction in funds to be apportioned for that year, pursuant to section 507(b)(3) of the Act, or in discretionary funds available for obligation under section 507(c)(2) of the Act, or both. This may result in a concurrent reduction in a payment scheduled under this Letter of Intent. In such event, the ratio of the discretionary fund component of a scheduled payment, as reduced, to such component prior to reduction, shall be not less than the ratio of discretionary funds newly available for obligation in the fiscal year in which such reduction occurs, to the total discretionary funds made available for obligation in the fiscal year in which this Letter of Intent was executed. Payment of the amount of any such reduction in a scheduled payment shall be deemed to be deferred to the following fiscal year, subject again to the availability of funds and statutory authority. No amendment to this Letter of Intent shall impair the Sponsor's eligibility for future reimbursement of the United States share of allowable Project costs pursuant to section 513(d)(2) of the Act, as funds become available.

Sponsor should understand that, having proceeded with the Project without the aid of funds under the Act, in order to receive reimbursement as specified in the schedule set forth above, it must comply with all statutory and administrative requirements that would be applicable to the Project were the Project carried out with funds made available under the Act. Failure to comply with all such requirements, or failure to proceed with the Project in a timely manner, may lead to revocation of this Letter of Intent.

(signature)
(typed name)
Airports Div/ADO Mgr.
(date)

January 10, 1989

FEDERAL AVIATION ADMINISTRATION
OFFICE OF AIRPORT PLANNING AND PROGRAMMING

AIRPORT IMPROVEMENT PROGRAM
CAPACITY PROJECT SELECTION CRITERIA

Background: Section 507(c) of the Airport and Airway Improvement Act of 1982 (AAIA), as amended, authorizes the Secretary to make grants to primary airports and their relievers from discretionary funds for the purpose of preserving and enhancing airport capacity. In selecting projects for these grants, consideration is to be given to their effect on overall national air transportation system capacity, project benefit and cost, and the financial commitment of the airport operator or other non-Federal funding sources to preserve or enhance airport capacity. Because the demand for these discretionary funds exceeds the amount available, the Federal Aviation Administration (FAA) is unable to fund all of those capacity projects for which airport sponsors wish to obtain grants.

The FAA has developed project selection criteria to help make decisions on the relative priority of competing capacity projects proposed during the fiscal year. Under this system, projects are favored which best preserve and enhance capacity in the national system of airports and whose sponsors have demonstrated the required commitment to capacity enhancement.

In examining airport capacity and congestion, the major problems occur in the busier locations and capacity development at these airports appears to offer the greatest opportunity for system relief. These criteria will not exclude any primary airport or reliever which can contribute to system efficiency and capacity, nor will the criteria result in only the largest airports receiving discretionary grant funds.

Other information, such as a sponsor's ability to fund projects without Federal aid, or how a sponsor uses entitlement funds, is considered in awarding discretionary grants and in determining the dollar amount of Federal participation.

Purpose of Criteria

The criteria, when uniformly applied to all proposed projects across the nation, ideally should allow FAA to rank-order these diverse projects according to their value in reducing delays and increasing capacity not only at the airport where the project is accomplished, but also according to their beneficial impact on airspace system delays and on delays and capacity at other airports.

in the national system.

FAA has a major initiative underway to develop computer modeling techniques to measure and analyze system impacts of airport development. As this initiative progresses, these techniques may be used, as applicable, in selecting optimum projects for enhancing and preserving capacity. Until that time, the methodology outlined in this paper will be used by FAA as a primary consideration in determining program funding under Section 507(c) of the AAIA.

Criteria Development Methodology

The AAIA requires the FAA to consider three factors:

1. Effect on the overall national air transportation system.
2. Project benefit and cost.
3. Financial commitment of the sponsor or other non-federal funding sources to capacity.

The methodology used in developing the criteria was to first examine the impact of the airport on the system, then look at the effect the project will have on the airport operation and finally apply guidelines to determine the commitment of the sponsor to preserve or enhance airport capacity. Weighting each of the first two factors and combining them yields a relative value of the project in terms of the legislative requirement. The commitment of the sponsor is the subject of a separate examination to determine whether the sponsor meets certain financial prerequisites. The development and use of each of the three factors is discussed in the following.

Factor 1. - Effect on National System

This factor is developed for each primary airport with significant current or potential capacity problems. It is calculated independent of any specific project under review at a particular airport and is based on airport activity and market characteristics for which information and data are available. Four parameters are chosen:

1. Delay
2. Aircraft operations
3. Non-stop connectors
4. Proportion of connecting passengers

Each of the four parameters are measured and values assigned the airport according to Tables I through IV. The values are totaled and, if applicable, bonus points are added if an airport is determined to be a "new hub" or a "commercial alternative airport". Each parameter and bonus point awards are discussed below.

Delay: This parameter is made up of both current aircraft delay in hours per year and projected delay in 10 years. Delay hours are a direct measure of capacity shortfalls at an airport, but taken alone do not measure impact of the airport on the national system. FAA collects and analyzes delay data annually and makes 10 year forecasts for all major airports. Both current and forecast delay are given separate scores in accordance with Table I.

Table I

<u>AIRCRAFT DELAY IN HOURS/YEAR</u>		
<u>Hours</u>	<u>Current Delay Points</u>	<u>Forecast Delay Points</u>
10,000-19,999	1	1
20,000-29,999	2	2
30,000-39,999	3	3
40,000-49,999	4	4
50,000+	5	5

Airport Operations: This is a direct measure of how busy an airport is in terms of aircraft takeoffs and landings. It is a logical conclusion that the busier the airport, the greater impact the airport will have on the national system. Aircraft operations were chosen over passenger enplanements for two reasons. First, the FAA's initial focus for providing relief from capacity constraints is directed at airside facilities - runways, taxiways, and aprons - to accommodate greater number and frequency of landings and take offs, relatively independent of aircraft size. Passenger enplanements, although another available measure of airport "busy-ness", is not as direct a measure. Secondly, delay is measured in this criteria development methodology in terms of aircraft operations, not passenger delay. Points are given as follows:

Table II

<u>ANNUAL AIRCRAFT OPERATIONS</u>	
<u>OPS. (x 1000)</u>	<u>Points</u>
0-199	1
200-299	2
300-399	3
400-499	4
500+	5

Non-Stop Connectors: The number of airports served non-stop by a given airport is another indicator of the sensitivity of the

national airport system to delays or lack of capacity at the given airport. A period of severe delays at one airport connecting directly to fifty others would cause a ripple effect much greater in extent than at another airport with an equal number of operations, but connecting directly to only twenty others. Put another way, this parameter measures, to some extent, the hub characteristics of an airport. Each candidate airport is examined to determine the number of the busiest 60 airports in the country to which it has direct flights. This number could vary from fifty nine at a location such as Atlanta or Chicago to three at one of the smaller airports. Points are given as follows:

Table III

<u>NON-STOP "60"</u>	
Connections	Points
5-9	1
10-19	2
20-29	3
30-49	4
50-59	5

Proportion of Connecting Passengers: Similar to the "Non-Stop Connectors" parameter, this parameter is an indicator of the hub characteristic of an airport, and thus its impact on other airports in the system. Data developed by the Research and Special Projects Administration were used to determine what percentage of total enplaned passengers at each airport were passengers connecting to another flight.

Table IV

<u>CONNECTING PASSENGERS</u>	
Percent	Points
10-19	1
20-29	2
30-49	3
50-59	4
60+	5

Emerging Hubs: An airport which is not now considered to be a hub, but which is expected to become one, or is expected to significantly increase passenger connection operations, may receive up to 3 extra points added to the airport impact factor. These points may be added if there is a commitment or convincing

evidence of an airline's intent to begin or expand a significant hub operation.

Commercial Alternative Airports: A commercial service airport located in a metropolitan area with other major congested airports, can and often does provide relief at those congested airports by giving commercial passengers an alternative arrival or departure point. To the extent that airport development at the secondary airport can entice commercial operations from the capacity-constrained airport, additional capacity is afforded the service area. This type of capacity enhancement is recognized in the criteria by raising the commercial alternative airport forecast delay hour score (Table I) to equal the forecast delay score of the major airport.

Compiling the Airport Impact Score: Each primary airport considered is examined and awarded points in accordance with the six factors discussed above, and the points totaled. This airport impact score is then used for that airport as part of the project score for each project at that airport during that fiscal year, since it is not anticipated that the impact score will change during any one year. FAA intends to update these scores annually. Although there is imprecision in forecasting, sampling errors and uncertainties of factor weighting, these scores give a good indication of relative effect of the airport on the system.

Reliever Airports Impact Scores: Reliever airports are awarded points based on the score of the congested primary airport which they relieve. The reliever scores are calculated by using a percentage of the primary airport score proportional to the amount of general aviation traffic at the primary, the theory being that the higher the general aviation traffic at the congested airport the greater the opportunity for siphoning it off to the reliever. The reliever airport scores will be rounded to the nearest whole number.

TABLE V

<u>GENERAL AVIATION ANNUAL OPS AT THE PRIMARY AIRPORT</u>	<u>PERCENTAGE OF PRIMARY SCORE GIVEN THE RELIEVER AIRPORT</u>
Greater than 90,000	80
70,000 - 90,000	70
50,000 - 69,999	60
30,000 - 49,999	50
Less than 30,000	40

Factor 2 - Project Benefit and Cost

The second half of the analysis for the priority system is dependent upon the type of work proposed and its benefit to airport and system capacity. This factor is similar to and is generally based upon the priority system used by FAA since 1984 to make funding decisions in the Airport Improvement Program. This system was announced in the Federal Register, March 28, 1984.

The basic philosophy in developing the capacity priorities at existing airports is to give precedence to projects closest to the runway threshold, that is, runway work would be higher priority than taxiways, taxiways higher than aprons. Land acquisition or other development work necessary for a runway, for example, would also receive the same priority as the runway construction itself. Addition of new facilities is given precedence over extensions or overlays. The highest priority for capacity enhancement would be given to new airports in congested metropolitan areas.

Table VI shows the points assigned to the type project deemed to contribute significantly to capacity enhancement or preservation. It should be noted that only airside work (runways, taxiways, aprons) on an airport will be considered under these criteria since these areas directly affect the movement of aircraft on the airport surface or in the terminal airspace and thus impact on the national system.

Table VI

<u>AIRPORT PROJECT IMPACT FACTOR</u>		
<u>Item</u>	<u>Activity</u>	<u>Points</u>
New Airport	Construct	20
	Acquire	20
Runway	Construct New or Reconstruct	15
	Extend or Overlay	10
Taxiway	Construct New or Reconstruct	10
	Extend or Overlay	8
Apron	Construct New or Reconstruct	8
	Extend or Overlay	5
Other	Describe	1-10

Combining Airport and Project Scores: The final step in preparing a project priority is the addition of the two scores as developed in the foregoing process.

Factor 3 - Sponsor Commitment

In determining the extent to which the airport sponsor has demonstrated financial commitment to preserving and enhancing airport capacity, the FAA first examines the sponsor's use of grant funds to which the airport is entitled under Section 507(a) of the AIA. If the sponsor is committing at least three years of current and future entitlements to the capacity project, the criteria is deemed met. In the case of large projects whose duration extends beyond three years, entitlements should be used over the entire construction/implementation period. Also, entitlements used on higher priority projects, i.e. safety or security projects, can be counted toward meeting this criteria.

Should the use of entitlements not meet these standards, FAA will review the past history of capital development funding at the airport, the future capital improvement plans and financing programs and make a determination whether sufficient commitment to preserving and enhancing capacity is demonstrated. Sponsors which cannot show this commitment will not be considered for funding of capacity projects from this special account.

FAA's Use of the Capacity Priority System: As with any priority system dealing with complex issues and relationships, a strict numerical ranking provides a good indication of value but may not necessarily produce the optimum project selection for available funding. This is particularly true of airport development projects which are subject to a number of factors which cannot routinely be taken into account in a standard system designed to assess hundreds of projects across the nation. Although airports share a great many commonalities, each is also unique in many respects - physical layout, demand patterns, operational restrictions, environmental constraints, community support, project timing, sponsor financial capability etc. These unique qualities will often have to be factored into project selection in conjunction with the priority system. The final FAA selection of projects to be funded from the special capacity fund is based not only on how the project scores in this system, but also on all of the other programming information available for making informed decisions.