

Benefit/Cost Analysis (BCA) Requirements for AIP-Funded Capacity Projects

On December 15, 1999 the FAA published the Final Policy and Guidance on the requirement for airport sponsors to submit BCAs when requesting Airport Improvement Program (AIP) grants for capacity projects or Letter of Intent (LOI) requests.

Headquarters is currently in the process of updating both the Final Policy and Guidance.

In anticipation of updated BCA policy and guidance, this Resource Bulletin provides two points of interim direction in the application of the BCA requirement.

- **Phased projects.** In cases where the project—i.e., the Overall Development Objective or ODO—will be completed in phases, and the total anticipated level of Discretionary funding exceeds the established threshold (currently \$5 million), the sponsor must undertake a Benefit/Cost Analysis (BCA) before the FAA awards a grant for any phase of the work, even if the initial phase or grant does not include Discretionary funds.

For example, if an airport sponsor plans a \$10 million runway extension and plans to request \$6 million in Discretionary funds during the second phase—i.e., using only Entitlement funds during the first phase of design or mass grading—then a BCA is required before FAA can award the initial grant even though it contains no Discretionary funds.

Terminal Projects. For projects involving replacement of an existing passenger terminal at a nonhub primary airport where Discretionary funds could potentially be considered, a BCA is required if the project enhances the operational capacity of the terminal.

A project is considered to enhance operational capacity if it enables:

- An increase in total annual or peak-hour operations;
- Increased aircraft seating or the accommodation of a different aircraft design group; or
- An increase in total annual enplanements and/or flight departures.
- A significant change to the character of the terminal.

For projects involving a simple terminal replacement or rehabilitation with the same operational capacity as the existing terminal, a BCA will not be required. Enhancements such as code compliance, accessibility, security upgrades and the like are not considered capacity enhancements in and of themselves.

For example, if a five-gate terminal has reached its useful life and the sponsor decides to build a new five-gate terminal building at a new location on the airport, a BCA is not required. However, if the sponsor instead decides to build a new 10-gate terminal, the project is considered to be capacity-enhancing and a BCA is required for the entire project.

The most valuable step any airport sponsor can take is to consult with the appropriate Airports District Office as early as possible in the planning and feasibility stages of the project.

In addition, sponsors should conduct an early comparison of capital costs and the resulting benefits, in order to avoid starting a project that may ultimately not be supportable with AIP Discretionary funds.

Where Can I Learn More?

- “FAA Airport Benefit-Cost Analysis Guidance” (December 15, 1999)
- “FAA Policy and Guidance Regarding BCA on Airport Capacity Projects for FAA Decisions on AIP Discretionary Grants and LOI” (Federal Register Notice, December 15, 1999).
- http://www.faa.gov/airports_airtraffic/airports/aip/bc_analysis/
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