**Section 653.112 Ineligible Operating Expenses**

a) Operating assistance grants will not be made for ineligible operating expenses, as defined in Section 2-2.04 of the Act, Section 653.30 of this Part and this Section. Ineligible operating expenses include, but are not limited to, the following:

1) depreciation, whether funded or unfunded;

2) amortization of any intangible costs, which means depreciation of an asset that is without physical qualities, e.g., patents, copyrights and goodwill;

3) debt service on capital assets acquired with the assistance of State capital grant funds provided by the State;

4) profit or return on investments;

5) excessive payment to associated entities, such as payments made by a participant to any entity that is owned or controlled by the participant or that controls or owns the participant;

6) expenses associated with the Workforce Investment Act (29 USC Chapter 30), or its successor;

7) costs reimbursed under Sections 5303, 5304 and 5305 of the Federal Mass Transit Act (49 USC Chapter 53);

8) travel and entertainment expenses incurred in attending non-public transportation-related activities;

9) charter, school bus and sightseeing expenses as defined by the FTA;

10) fines and penalties;

11) charitable donations;

12) interest expense on long-term borrowing and debt retirement other than on that portion of publicly-owned equipment and facilities required for public transportation;

13) income taxes;

14) that portion of any eligible operating expenses for which the participant has or will receive reimbursement from any other federal or State capital grant program absent a specific federal or State directive allowing the capital expense to be treated as an operating expense, e.g., federal preventative maintenance expense;

15) expenses associated with compliance with OMB Circular A-133 (Audits of States, Local Governments, and Non-Profit Organizations);

16) any expense that is reimbursed from insurance proceeds;

17) maintenance or operation of vehicles that are not used by a participant or its contractors for public transportation or to support public transportation operations;

18) any other expense determined by the Department to be inconsistent with federal regulations or requirements.

b) If a participant receives federal operating assistance funds through the Department, and federal law prohibits the participant from using those funds to pay for any expense that is an eligible operating expense under the Act or this Part, then that expense shall be ineligible for reimbursement. (See Section 2-2.04 of the Act.)

(Source: Added at 34 Ill. Reg. 13142, effective August 24, 2010)