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reasonable options available for funding these planning activities (including the use of National Highway System, Surface Transportation Program, or Federal Transit Administration Section 26(a)(2) funds or by deferment of lower priority planning activities);

(2) The planning activities have a higher priority than RD&T activities in overall needs of the State for a given year; and

(3) The total level of effort by the State in RD&T (using both Federal and State funds) is adequate.

(c) If the State chooses to pursue an exception, the request, along with supporting justification, shall be sent to the FHWA Division Administrator for action by the FHWA Associate Administrator for Research and Development. The Associate Administrator's decision shall be based upon the following considerations:

(1) Whether the State has a process for identifying RD&T needs and for implementing a viable RD&T program.

(2) Whether the State is contributing to cooperative RD&T programs or activities, such as the National Cooperative Highway Research Program, the Transportation Research Board, the implementation of products of the Strategic Highway Research Program, and pooled-fund studies.

(3) Whether the State is using SPR funds for technology transfer and for transit or intermodal research and development to help meet the 25 percent minimum requirement.

(4) The percentage or amount of the State's FHWA planning and research funds that were used for RD&T prior to enactment of the 25 percent requirement and whether the percentage or amount will increase if the exception is approved.

(5) If an exception is approved for the fiscal year, whether the State can demonstrate that it will meet the requirement or substantially increase its RD&T expenditures over a multi-year period.

(6) Whether the amount of Federal funds needed for planning for the program period exceeds the total of the 75 percent limit for the fiscal year and any unexpended (including unused funds that can be released from com-

pleted projects) funds for planning from previous apportionments.

(d) If the State's request for an exception is approved, the exception will be valid only for the fiscal year in which the exception is approved. A new request must be submitted in subsequent fiscal years.

§ 420.109 Distribution of PL funds.

(a) States shall make all PL funds authorized by 23 U.S.C. 104(f) available to the MPOs in accordance with a formula developed by the State, in consultation with the MPOs, and approved by the FHWA. The State shall not use any PL funds for grant or subgrant administration.

(b) In developing the formula for distributing PL funds, the State shall consider population, status of planning, attainment of air quality standards, metropolitan area transportation needs, and other factors necessary to provide for an appropriate distribution of funds to carry out the requirements of 23 U.S.C. 134 and other applicable requirements of Federal law.

(c) As soon as practicable after PL funds have been apportioned by the FHWA to the States, the STAs shall inform the MPOs and the FHWA of the amounts allocated to each MPO.

(d) If the STA, in a State receiving the minimum apportionment of PL funds under the provisions of 23 U.S.C. 104(f)(2), determines that the share of funds to be allocated to any MPO results in the MPO receiving more funds than necessary to carry out the provisions of 23 U.S.C. 134(a), the STA may, after considering the views of the affected MPOs and with the approval of the FHWA, use these funds to finance transportation planning outside of metropolitan planning areas.

(e) In accordance with the provisions of 23 U.S.C. 134(n), any PL funds not needed for carrying out the metropolitan planning provisions of 23 U.S.C. 134 may be made available by the MPOs to the State for funding statewide planning activities under 23 U.S.C. 135, subject to approval by the FHWA.

(f) Any State PL fund distribution formula that does not meet the requirements of paragraphs (a) or (b) of this section shall be brought into conformance with such requirements as

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soon as possible, but no later than in time for distribution of PL funds apportioned to the State for the first Federal fiscal year beginning after August 22, 1994.

§ 420.111 Work program.

(a) Proposed use of FHWA planning and research funds shall be documented by the STAs and subrecipients in a work program(s) acceptable to the FHWA. Statewide, metropolitan, other transportation planning activities, and transportation RD&T activities may be administered as separate programs, paired in various combinations, or brought together as a single work program. Similarly, these transportation planning and RD&T activities may be authorized for fiscal purposes as one combined Federal-aid project or as separate Federal-aid projects. The expenditure of PL funds for transportation planning outside of metropolitan planning areas under § 420.109(d) may be included in the work program for statewide transportation planning activities or in a separate work program submitted by the STA.

(b) Work program(s) that document transportation planning activities shall include a description of work to be accomplished and cost estimates for each activity. Additional information on metropolitan planning area work programs is contained in 23 CFR 450.314. Additional information on research, development, and technology transfer work program content and format is contained in subpart B of this part.

(c) The STAs that use separate Federal-aid projects in accordance with § 420.111(a) shall submit, in addition to the financial information specified below for each program, one overall summary showing the funding for the entire FHWA funded planning, research, development, and technology transfer effort. Each work program shall include a financial summary that shows:

- (1) Federal share by type of fund;
 - (2) Matching rate by type of fund;
 - (3) State and/or local matching share; and
 - (4) Other State or local funds.
- (d) The STAs and MPOs also are encouraged to include cost estimates for

transportation planning, research, development, and technology transfer related activities funded with other Federal or State and/or local funds; particularly for producing the FHWA-required data specified in paragraph (b) of § 420.105, for planning for other transportation modes, and for air quality planning activities in areas designated as nonattainment for transportation-related pollutants in their work programs. The MPOs in Transportation Management Areas shall include such information in their work programs in accordance with the provisions of 23 CFR part 450.

(The information collection requirements in §§ 420.111(a), (b), and (c), and 420.117(b) and (c) for metropolitan planning areas have been approved by the OMB and assigned control number 2132-0529.)

§ 420.113 Eligibility of costs.

(a) Costs will be eligible for FHWA participation provided that the costs:

- (1) Are for work performed for activities eligible under the section of title 23, U.S.C., applicable to the class of funds used for the activities;
- (2) Are verifiable from the STA's or the subrecipient's records;
- (3) Are necessary and reasonable for proper and efficient accomplishment of project objectives and meet the other criteria for allowable costs in the applicable cost principles cited in 49 CFR 18.22;
- (4) Are included in the approved budget, or amendment thereto; and
- (5) Were not incurred prior to FHWA authorization.

(b)(1) Except as specified in paragraph (b)(2) of this section, indirect costs of an STA are not eligible for reimbursement with FHWA planning and research funds.

(2) Salaries for services rendered by STA employees who are generally classified as administrative are eligible for reimbursement for a transportation planning unit, RD&T unit, or other unit performing eligible work with FHWA planning and research funds (including development, establishment, and implementation of the management and monitoring systems required by 23 U.S.C. 303 and 23 CFR part 500) in