

[14 CFR Part 152]

[Docket No. 19499; Amdt. No. 152-8]

**Allowable Project Costs Under Airport Development Projects**

**AGENCY:** Federal Aviation Administration (FAA), DOT.

**ACTION:** Final rule.

**SUMMARY:** This amendment permits the inclusion of indirect costs in computing allowable project costs under the Airport Development Aid Program (ADAP). It is needed to correct an inconsistency in the Federal Aviation Regulations. This amendment is intended to conform the computation of allowable costs under the Airport Aid Program to Federal grant policy and the Airport and Airway Development Act of 1970.

**DATES:** Effective date: September 20, 1979. Comments by November 20, 1979.

**FOR FURTHER INFORMATION CONTACT:** Mr. Robert J. Cole, APP-510, Office of Airports Planning and Programming, Federal Aviation Administration, 800 Independence Avenue, S.W., Washington, D.C. 20591, telephone (202) 426-3050.

**SUPPLEMENTARY INFORMATION:**

**Background**

Federal Management Circular (FMC) 74-4 (39 FR 27133; July 25, 1974), formerly Office of Management Budget Circular (OMB) A-87, sets forth principles for determining costs applicable to grants and contracts with State and local governments. Under FMC 74-4 a cost must be necessary and reasonable to be allowable under a grant program. Its guidelines are designed to provide the basis for a uniform and efficient approach to determining costs in Federal grant administration.

Section 20 of the Airport and Airway Development Act of 1970 (49 U.S.C. 1720) sets forth conditions under which a project cost incurred in carrying out a project for airport development is allowable. A project cost is allowable under that section if it was necessary, reasonable, not included in a planning project, and, in most cases, incurred subsequent to the execution of the grant agreement.

Subpart B of Part 152 of the Federal Aviation Regulations (14 CFR Part 152) contains the rules and procedures for airport development projects. In particular, Sections 152.47(a)(8) and 152.47(c)(6), as well as Appendix J to Part 152, specifically provide that indirect costs are not allowable costs for airport development projects. On the other hand, indirect costs are allowable under Section 152.137 for airport planning projects. Therefore, a situation is created whereby indirect costs may be allowable for airport planning projects and not for airport development projects.

The FAA has reviewed these regulations and has concluded that, in accordance with Federal grant policy as expressed in FMC 74-4, indirect costs may be appropriately considered in calculating allowable project costs of airport development projects. Therefore, the affected regulations are being amended to conform to this policy. The amendment is prospective in nature and does not apply to grant agreements executed prior to its effective date.

**Need for Immediate Adoption**

Since this amendment relieves a restriction, does not impose an additional burden on any person, and is necessary to eliminate inconsistencies in the computation of allowable costs under the Airport Aid Programs, I find that notice and public procedure would be contrary to the public interest. However, the FAA intends to review the effects of this amendment.

Consequently, interested persons are invited to submit such written data, views, or arguments as they may deem appropriate regarding this amendment. Communications should identify the docket number and be submitted in duplicate to the Federal Aviation Administration, Office of the Chief Counsel, Attention: Rules Docket, AGC-24, 800 Independence Avenue, S.W., Washington, D.C. 20591. All communications received on or before November 20, 1979, will be considered by the Administrator and this amendment may be changed in light of the comments received. All comments submitted will be available, both before and after the closing date for comments, in the Rules Docket for examination by interested persons.

**Adoption of the Amendment**

Accordingly, Part 152 of the Federal Aviation Regulations (14 CFR Part 152) is amended effective September 20, 1979, as follows:

**§ 152.47 [Amended]**

1. By amending § 152.47 by: (1) deleting the word "direct" from paragraph (a)(8); (2) deleting the word "and" at the end of paragraph (c)(4); (3) deleting the period at the end of paragraph (c)(5) and substituting for it the phrase "; and"; and (4) deleting the phrase "a direct cost" in paragraph (c)(6).

**Appendix J [Amended]**

2. By amending Appendix J by deleting the last sentence in paragraph A.1. of Part I, which reads, "Under § 152.47, indirect costs are not allowable costs for Airport Development Projects."

(Sec. 20 of the Airport and Airway Development Act of 1970 (49 U.S.C. 1720), and Sec. 1.47(f)(1) of the Regulations of the Office of the Secretary of Transportation (49 CFR § 1.47(f)(1)).)

**Note.**—The Federal Aviation Administration has determined that this document does not contain a major proposal requiring preparation of a Regulatory Analysis under Executive Order 12044. In addition, the FAA has determined that the expected impact of this regulation is so minimal that it does not require an evaluation.

Issued in Washington, D.C., on September 11, 1979.

**Langhorne Bond,**  
*Administrator.*

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