

## SUBCHAPTER E—PLANNING AND RESEARCH

### PART 420—PLANNING AND RESEARCH PROGRAM ADMINISTRATION

#### Subpart A—Administration of FHWA Planning and Research Funds

- Sec.
- 420.101 Purpose and applicability.
- 420.103 Definitions.
- 420.105 Policy.
- 420.107 SPR minimum research, development, and technology transfer expenditure.
- 420.109 Distribution of PL funds.
- 420.111 Work program.
- 420.113 Eligibility of costs.
- 420.115 Approval and authorization procedures.
- 420.117 Program monitoring and reporting.
- 420.119 Fiscal procedures.
- 420.121 Other requirements.

#### Subpart B—Research, Development and Technology Transfer Program Management

- 420.201 Purpose and applicability.
- 420.203 Definitions.
- 420.205 Policy.
- 420.207 Conditions for grant approval.
- 420.209 State work program.
- 420.211 Eligibility of costs.
- 420.213 Certification requirements.
- 420.215 Procedure for withdrawal of approval.

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#### Subpart A—Administration of FHWA Planning and Research Funds

##### § 420.101 Purpose and applicability.

This part prescribes the Federal Highway Administration (FHWA) policies and procedures for the administration of activities undertaken by States and their subrecipients, including Metropolitan Planning Organizations (MPOs), with FHWA planning and research funds. It applies to activities and studies funded as part of a recipient's or subrecipient's work program or as separate Federal-aid projects that

are not included in a work program. This subpart also is applicable to the approval and authorization of research, development, and technology transfer (RD&T) work programs; additional policies and procedures regarding administration of RD&T programs are contained in subpart B of this part. The requirements in this part supplement those in 49 CFR Part 18 which are applicable to administration of these funds.

##### § 420.103 Definitions.

Unless otherwise specified in this part, the definitions in 23 U.S.C. 101(a) are applicable to this part. As used in this part:

*Grant agreement* means a legal instrument between an awarding agency and recipient where the principal purpose is to provide funds to the recipient to carry out a public purpose of support or stimulation authorized by law.

*FHWA planning and research funds* means:

(1) State planning and research (SPR) funds (the 2 percent funds authorized under 23 U.S.C. 307(c)(1));

(2) Metropolitan planning (PL) funds (the 1 percent funds authorized under 23 U.S.C. 104(f) to carry out the provisions of 23 U.S.C. 134(a));

(3) National highway system (NHS) funds authorized under 23 U.S.C. 104(b)(1) used for transportation planning in accordance with 23 U.S.C. 134 and 135, highway research and planning in accordance with 23 U.S.C. 307, highway-related technology transfer activities, or development and establishment of management systems under 23 U.S.C. 303;

(4) Surface transportation program (STP) funds authorized under 23 U.S.C. 104(b)(3) used for highway and transit research and development and technology transfer programs, surface transportation planning programs, or development and establishment of management systems under 23 U.S.C. 303; and

(5) Minimum allocation funds authorized under 23 U.S.C. 157(c) used for carrying out, respectively, the provisions

of 23 U.S.C. 307(c)(1) (up to 1½ percent) and 23 U.S.C. 134(a) (up to ½ percent).

*Metropolitan planning area* means the geographic area in which the metropolitan transportation planning process required by 23 U.S.C. 134 and section 8 of the Federal Transit Act (49 U.S.C. app. 1607) must be carried out.

*Metropolitan planning organization (MPO)* means the forum for cooperative transportation decisionmaking for a metropolitan planning area.

*National pooled-fund study* means a planning or RD&T study or activity expected to solve problems of national significance, usually administered by the FHWA headquarters office in cooperation with States and/or MPOs, that is funded by State and/or MPO contributions of FHWA planning and research funds, with or without matching funds.

*Procurement contract* means a legal instrument between an awarding agency and recipient where the principal purpose is to acquire (by purchase, lease, or barter) property or services for the direct benefit or use of the awarding agency.

*Regional pooled-fund study* means a planning or RD&T study expected to solve problems of regional significance, usually administered by an FHWA region office in cooperation with a lead State and/or MPO, that is funded by State and/or MPO contributions of FHWA planning and research funds, with or without matching funds.

*State transportation agency (STA)* means the State highway department, transportation department, or other State transportation agency to which Federal-aid highway funds are apportioned.

*Work program* means a periodic statement of proposed work and estimated costs that document the eligible activities to be undertaken with FHWA planning and research funds during the next 1 or 2-year period by STAs and/or their subrecipients.

#### § 420.105 Policy.

(a) Within the limitations of available funding and with the understanding that planning activities of national significance, identified in paragraph (b) of this section, and the requirements of 23 U.S.C. 134, 135, 303, and 307(c) are

being adequately addressed, the FHWA will allow STAs and their subrecipients:

(1) Maximum possible flexibility in the use of FHWA planning and research funds to meet highway and multimodal transportation planning and RD&T needs at the national, State, and local levels while ensuring legal use of such funds and avoiding unnecessary duplication of efforts; and

(2) To determine which eligible planning and RD&T activities they desire to support with FHWA planning and research funds and at what funding level.

(b) The STAs shall provide data that support the FHWA's responsibilities to the Congress and to the public. These data include, but are not limited to, information required for: Preparing proposed legislation and reports to the Congress; evaluating the extent, performance, condition, and use of the Nation's transportation systems; analyzing existing and proposed Federal-aid funding methods and levels and the assignment of user cost responsibility; maintaining a critical information base on fuel availability, use, and revenues generated; and calculating apportionment factors.

(The information collection requirements in paragraph (b) of § 420.105 have been approved by the Office of Management and Budget (OMB) under control numbers 2125-0028 and 2125-0032.)

#### § 420.107 SPR minimum research, development, and technology transfer expenditure.

(a) In accordance with the provisions of 23 U.S.C. 307(c), not less than 25 percent of the SPR funds apportioned to a State for a fiscal year shall be expended for RD&T activities relating to highway, public transportation, and intermodal transportation systems, unless the State certifies, and the FHWA accepts the State's certification, that total expenditures by the State during the fiscal year for transportation planning under 23 U.S.C. 134 and 135 will exceed 75 percent of the amount apportioned for the fiscal year.

(b) Prior to submitting a request for an exception to the 25 percent requirement, the State shall ensure that:

(1) The additional planning activities are essential and there are no other

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

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

the ratio of time spent on the participating portion of work in the unit to the total unit's working hours.

(c) Indirect costs of MPOs and local governments are allowable if supported by a cost allocation plan and indirect cost proposal approved in accordance with the provisions of OMB Circular A-87. An initial plan and proposal must be submitted to the Federal cognizant or oversight agency for negotiation and approval prior to recovering any indirect costs. The cost allocation plan and indirect cost proposal shall be updated annually and retained by the MPO or local government, unless requested to be resubmitted by the Federal cognizant or oversight agency, for review at the time of the audit required in accordance with 49 CFR Part 90. If the MPO or local government's indirect cost rate varies significantly from the rate approved for the previous year, or if the MPO or local government changes its accounting system and affects the previously approved indirect cost allocation plan and proposal or rate and its basis of application, the indirect cost allocation plan and proposal shall be resubmitted for negotiation and approval. In either case, a rate shall be negotiated and approved for billing purposes until a new plan and proposal are approved.

(d) Indirect costs of other STA subrecipients, including other State agencies, are allowable if supported by a cost allocation plan and indirect cost proposal prepared, submitted, and approved by the cognizant or oversight agency in accordance with the OMB requirements applicable to the subrecipient.

**§ 420.115 Approval and authorization procedures.**

(a) The STA and its subrecipients shall obtain work program approval and authorization to proceed prior to beginning work on activities in the work program. Such approvals and authorizations should be based on final work program documents. The STA and its subrecipients also shall obtain prior approval for budget and programmatic changes as specified in 49 CFR 18.30 and for those items of allowable costs which require prior approval

in accordance with the applicable cost principles specified in 49 CFR 18.22.

(b) Except for advance construction, authorization to proceed with the work program(s) in whole or in part shall be deemed a contractual obligation of the Federal Government pursuant to 23 U.S.C. 106 and shall require that appropriate funds be available for the full Federal share of the cost of work authorized. Those STAs that do not have sufficient FHWA planning and research funds or obligation authority available to obligate the full Federal share of the entire work program(s) may utilize the advance construction provisions of 23 U.S.C. 115(a) in accordance with the requirements of 23 CFR Part 630, subpart G. The STAs that do not meet the advance construction provisions, or do not wish to utilize them, may request authorization to proceed with that portion of the work program(s) for which FHWA planning and research funds are available. In the latter case, authorization to proceed may be given for either selected work activities or for a portion of the program period, but such authorization shall not constitute a commitment by the FHWA to fund the remaining portion of the work program(s) should additional funds become available.

(c) A project agreement shall be executed by the STA and FHWA Division Office for each statewide transportation planning, metropolitan planning area transportation planning, or RD&T work program, individual activity or study, or any combination administered as a single Federal-aid project. The project agreement shall be executed after the authorization has been given by the FHWA to proceed with the work in whole or in part. In the event that the project agreement is executed for only part of the work program, the project agreement shall be amended when authorization is given to proceed with additional work.

**§ 420.117 Program monitoring and reporting.**

(a) In accordance with 49 CFR 18.40, the STA shall monitor all activities, including those of its subrecipients, supported by FHWA planning and research funds to assure that the work is

being managed and performed satisfactorily and that time schedules are being met.

(b)(1) The STA shall submit performance and expenditure reports, including a report from each subrecipient, that contain as a minimum:

- (i) Comparison of actual performance with established goals;
  - (ii) Progress in meeting schedules;
  - (iii) Status of expenditures in a format compatible with the work program, including a comparison of budgeted (approved) amounts and actual costs incurred;
  - (iv) Cost overruns or underruns;
  - (v) Approved work program revisions; and
  - (vi) Other pertinent supporting data.
- (2) Additional information on reporting requirements for individual RD&T studies is contained in subpart B of this part.

(c) The frequency of reports required by paragraph (b) of this section shall be annual unless more frequent reporting is determined to be necessary by the FHWA; but in no case will reports be required more frequently than quarterly. These reports are due 90 days after the end of the reporting period for annual and final reports and no later than 30 days after the end of the reporting period for other reports.

(d) Events that have significant impact on the work program(s) shall be reported as soon as they become known. The type of events or conditions that require reporting include: problems, delays, or adverse conditions that will materially affect the ability to attain program objectives. This disclosure shall be accompanied by a statement of the action taken, or contemplated, and any Federal assistance needed to resolve the situation.

(e) A provision of the Federal-Aid Project Agreement requires both the preparation of suitable reports to document the results of activities performed with FHWA planning and research funds and FHWA approval prior to publishing such reports. The STA may request a waiver of the requirement for prior approval. The FHWA's approval constitutes acceptance of such reports as evidence of work performed but does not imply endorsement of a report's findings or rec-

ommendations. Reports prepared for FHWA funded work shall include appropriate credit references and disclaimer statements.

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

**§ 420.119 Fiscal procedures.**

(a) SPR funds shall be administered and accounted for as a single fund regardless of the category of Federal-aid highway funds from which they are derived.

(b) PL funds shall be administered and accounted for as a single fund.

(c) Optional funds authorized under 23 U.S.C. 104(b)(1), 104(b)(3), and 157(c) used for eligible planning and RD&T purposes shall be identified separately in the work program(s) and shall be administered and accounted for separately for fiscal purposes. The statewide and, if appropriate, metropolitan transportation improvement program provisions of 23 CFR Part 450 must be met for the use of NHS, STP, or minimum allocation funds for planning or RD&T purposes.

(d) The maximum rate of Federal participation with funds identified in paragraphs (a) through (c) of this section shall be as prescribed in title 23, U.S.C., for the specific class of funds; unless, for funds identified under paragraph (a) or (b) of this section, the FHWA determines that the interests of the Federal-aid highway program would be best served without such match in accordance with 23 U.S.C. 307(c)(3) or 23 U.S.C. 104(f)(3). The FHWA also may waive the requirement for matching funds if national or regional high priority planning or RD&T problems can be more effectively addressed if several States and/or MPOs pool their funds. Requests for 100 percent Federal funding must be submitted to the FHWA Division Office for approval by the Associate Administrator for Program Development (for planning activities) or the Associate Administrator Research and Development (for RD&T activities).

(e) The provisions of 49 CFR 18.24 are applicable to any necessary matching of FHWA planning and research funds.

(f) Payment shall be made in accordance with the provisions of 49 CFR 18.21.

**§ 420.121 Other requirements.**

(a) The financial management systems of the STAs and their subrecipients shall be in accordance with the provisions of 49 CFR 18.20(a).

(b) Program income, as defined in 49 CFR 18.25(b), shall be shown and deducted to determine the net costs on which the FHWA share will be based, unless an alternative method for using program income is specified in the Federal-Aid Project Agreement.

(c) Audits shall be performed in accordance with 49 CFR 18.26 and 49 CFR Part 90.

(d) Acquisition, use, and disposition of equipment purchased by the STAs and their subrecipients with FHWA planning and research funds shall be in accordance with 49 CFR 18.32(b).

(e) Acquisition and disposition of supplies acquired by the STAs and their subrecipients with FHWA planning and research funds shall be in accordance with 49 CFR 18.33.

(f) In accordance with 49 CFR 18.34, STAs and their subrecipients may copyright any books, publications, or other copyrightable materials developed in the course of the FHWA planning and research funded project. The FHWA reserves a royalty-free, non-exclusive and irrevocable right to reproduce, publish, or otherwise use, and to authorize others to use, the work for Government purposes.

(g) Procedures for the procurement of property and services with FHWA planning and research funds by the STAs and their subrecipients shall be in accordance with 49 CFR 18.36(a) and, if applicable, 18.36(t). The STAs and their subrecipients shall not use FHWA funds for procurements from persons (as defined in 49 CFR 29.105) who have been debarred or suspended in accordance with the provisions of 49 CFR Part 29, subparts A through E.

(h) The STAs shall follow State laws and procedures when awarding and administering subgrants to MPOs and local governments and shall ensure that the requirements of 49 CFR 18.37(a) have been satisfied. STAs shall have primary responsibility for admin-

istering FHWA planning and research funds passed through to subrecipients, for ensuring that such funds are expended for eligible activities, and for ensuring that the funds are administered in accordance with this part, 49 CFR Part 18, and applicable cost principles.

(i) Recordkeeping and retention requirements shall be in accordance with 49 CFR 18.42.

(j) The STAs and their subrecipients are subject to the provisions of 37 CFR Part 401 governing patents and inventions and shall include, or incorporate by reference, the standard patent rights clause at 37 CFR 401.14, except for § 401.14(g), in all subgrants or contracts. In addition, STAs and their subrecipients shall include the following clause, suitably modified to identify the parties, in all subgrants or contracts, regardless of tier, for experimental, developmental or research work: "The subgrantee or contractor will retain all rights provided for the State in this clause, and the State will not, as part of the consideration for awarding the subgrant or contract, obtain rights in the subgrantee's or contractor's subject inventions."

(k) In accordance with the provisions of 49 CFR Part 29, subpart F, STAs shall certify to the FHWA that they will provide a drug free workplace. This requirement can be satisfied through the annual certification for the Federal-aid highway program.

(l) The provisions of 49 CFR Part 20 regarding restrictions on influencing certain Federal activities are applicable to all tiers of recipients of FHWA planning and research funds.

(m) The nondiscrimination provisions of 23 CFR Parts 200 and 230 and 49 CFR Part 21, with respect to Title VI of the Civil Rights Act of 1964 and the Civil Rights Restoration Act of 1987, apply to all programs and activities of recipients, subrecipients, and contractors receiving FHWA planning and research funds whether or not those programs or activities are federally funded.

(n) The STAs shall administer the transportation planning and RD&T program(s) consistent with their overall efforts to implement section 1003(b)

of the Intermodal Surface Transportation Efficiency Act of 1991 (Pub. L. 102-240, 105 Stat. 1914) and 49 CFR Part 23 regarding disadvantaged business enterprises.

(o) States and their subrecipients shall administer subgrants to universities, hospitals, and other non-profit organizations in accordance with the administrative requirements of OMB Circular A-110 as implemented by the U.S. DOT in 49 CFR Part 19, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations.

(p) Reports and other documents prepared under FHWA planning and research funded grants or subgrants awarded after August 22, 1994, must be in metric units.

### Subpart B—Research, Development and Technology Transfer Program Management

#### § 420.201 Purpose and applicability.

The purpose of this subpart is to implement the provisions of 23 U.S.C. 307 and to prescribe Federal assistance requirements for research, development, and technology transfer (RD&T) activities, programs, and studies undertaken by States with FHWA planning and research funds. The requirements of this subpart and subpart A of this part are applicable to work performed by the States and their subrecipients with FHWA planning and research funds.

#### § 420.203 Definitions.

Unless otherwise specified in this part, the definitions in 23 U.S.C. 101(a) and Part 420, subpart A, are applicable to this subpart. As used in this subpart:

*Applied research* means the study of phenomena relating to a specific known need in connection with the functional characteristics of a system; the primary purpose of this kind of research is to answer a question or solve a problem.

*Basic research* means the study of phenomena whose specific application has not been identified; the primary purpose of this kind of research is to increase knowledge.

*Cooperatively funded study* means an RD&T study or activity, administered

by the FHWA, a lead State, or other agency, that is funded by some combination of a State's contribution of FHWA planning and research funds, FHWA administrative contract funds, 100 percent State funds, or funds from other Federal agencies.

*Development* means the translation of basic or applied research results into prototype materials, devices, techniques, or procedures for the practical solution of a specific problem in transportation.

*Final report* means a report documenting a completed RD&T study or activity.

*Intermodal RD&T* means research, development, and technology transfer activities involving more than one mode of transportation including transfer facilities between modes.

*National Cooperative Highway Research Program (NCHRP)* means the cooperative RD&T program directed toward solving problems of national or regional significance identified by States and the FHWA, and administered by the Transportation Research Board, National Academy of Sciences.

*Peer review* means a review conducted by persons who are knowledgeable of the management and operation of RD&T programs. This may include but is not limited to representatives of another State, the FHWA, American Association of State Highway and Transportation Officials, Transportation Research Board (TRB), universities or the private sector.

*RD&T activity* means a basic or applied research, development, or technology transfer project or study.

*Research* means a systematic controlled inquiry involving analytical and experimental activities which primarily seek to increase the understanding of underlying phenomena. Research can be basic or applied.

*Technology transfer* means those activities that lead to the adoption of a new technique or product by users and involves dissemination, demonstration, training, and other activities that lead to eventual innovation.

*Transportation Research Information Services (TRIS)* means the TRB-maintained computerized storage and retrieval system for abstracts of ongoing

and completed RD&T activities, including abstracts of RD&T reports and articles.

**§ 420.205 Policy.**

(a) It is the FHWA's policy to administer the RD&T program activities utilizing FHWA planning and research funds consistent with the policy specified in § 420.105 and the following general principles in paragraphs (b) through (g) of this section.

(b) State transportation agencies shall provide information necessary for peer reviews.

(c) States are encouraged to develop, establish, and implement an RD&T program, funded with Federal and State resources, that anticipates and addresses transportation concerns before they become critical problems. To promote effective utilization of available resources, States are encouraged to cooperate with other States, the FHWA, and other appropriate agencies to achieve RD&T objectives established at the national level and to develop a technology transfer program to promote and use those results.

(d) States will be allowed the authority and flexibility to manage and direct their RD&T activities as presented in their work programs, and to initiate RD&T activities supported by FHWA planning and research funds, subject to the limitation of Federal funds and to compliance with program conditions set forth in subpart A of this part and § 420.207.

(e) States will have primary responsibility for managing RD&T activities supported with FHWA planning and research funds carried out by other State agencies and organizations and for ensuring that such funds are expended for purposes consistent with this subpart.

(f) Each State shall develop, establish, and implement a management process that ensures effective use of available FHWA planning and research funds for RD&T activities on a statewide basis. Each State is permitted to tailor its management process to meet State or local needs; however, the process must comply with the minimum requirements and conditions of this subpart.

(g) States are encouraged to make effective use of the FHWA Division, Re-

gional, and Headquarters office expertise in developing and carrying out their RD&T activities. Participation of the FHWA on advisory panels and in program review meetings is encouraged.

**§ 420.207 Conditions for grant approval.**

(a) As a condition for approval of FHWA planning and research funds for RD&T activities, a State shall implement a program of RD&T activities for planning, design, construction, and maintenance of highways, public transportation, and intermodal transportation systems. Not less than 25 percent of the State's apportioned SPR funds shall be spent on such activities, unless waived by the FHWA, in accordance with the provisions of § 420.107. In addition the State shall develop, establish, and implement a management process that identifies and implements RD&T activities expected to address highest priority transportation issues, and includes:

(1) An interactive process for identification and prioritization of RD&T activities for inclusion in an RD&T work program;

(2) Utilization, to the maximum extent possible, of all FHWA planning and research funds set aside for RD&T activities either internally or for participation in national, regional pooled, or cooperatively funded studies;

(3) Procedures for tracking program activities, schedules, accomplishments, and fiscal commitments;

(4) Support and use of the TRIS database for program development, reporting of active RD&T activities, and input of the final report information;

(5) Procedures to determine the effectiveness of the State's management process in implementing the RD&T program, to determine the utilization of the State's RD&T outputs, and to facilitate peer reviews of its RD&T Program on a periodic basis and;

(6) Procedures for documenting RD&T activities through the preparation of final reports. As a minimum, the documentation shall include the data collected, analyses performed, conclusions, and recommendations.

The State shall actively implement appropriate research findings and should document benefits.

(b) Each State shall conduct peer reviews of its RD&T program and should participate in the review of other States' programs on a periodic basis. To assist peer reviewers in completing a quality and performance effectiveness review, the State shall disclose to them information and documentation required to be collected and maintained under this subpart. Travel and other costs associated with peer reviews of the State's program may be identified as a line item in the State work program and will be eligible for 100 percent Federal funding. At least two members of the peer review team shall be selected from the FHWA list of qualified peer reviewers. The peer review team shall provide a written report of its findings to the State. The State shall forward a copy of the report to the FHWA Division Administrator with a written response to the peer review findings.

(c) Documentation that describes the management process and the procedures for selecting and implementing RD&T activities shall be developed and maintained by the State. The documentation shall be submitted by the State to the FHWA Division office for FHWA approval. Significant changes in the management process also shall be submitted by the State for FHWA approval. The State shall make the documentation available, as necessary, to facilitate peer reviews.

**§ 420.209 State work program.**

(a) The State's RD&T work program shall, as a minimum, consist of an annual or biennial description of activities and individual RD&T activities to be accomplished during the program period, estimated costs for each eligible activity, and a description of any cooperatively funded activities that are part of a national or regional pooled study including the NCHRP contribution. The State's work program should include a list of the major items with a cost estimate for each item.

(b) The State's RD&T work program shall include financial summaries showing the funding levels and share (Federal, State, and other sources) for

RD&T activities for the program year. States are encouraged to include any activity funded 100 percent with State or other funds.

(c) Approval and authorization procedures in § 420.115 are applicable to the State's RD&T work program.

**§ 420.211 Eligibility of costs.**

(a) Unless otherwise specified in this section, the eligible costs for Federal participation in § 420.113 are applicable to this part.

(b) Costs for implementation of RD&T activities in conformity with the requirements and conditions set forth in this subpart are eligible for Federal participation.

(c) Indirect costs of a State transportation agency RD&T unit are allowable to the extent specified in § 420.113(b).

(d) Indirect costs of other State agencies and organizations are allowable if supported by a cost allocation plan and indirect cost proposal in accordance with OMB requirements.

**§ 420.213 Certification requirements.**

(a) Each State shall certify to the FHWA Division Administrator before June 30, 1995, that it is complying with the requirements of this subpart. For those States unable to meet full compliance by June 30, 1995, the FHWA Division Administrator may grant conditional approval of the State's RD&T management process. A conditional approval shall cite those areas of the State's management process that are deficient. All deficiencies must be corrected by January 1, 1996. A copy of the certification shall be submitted with each work program. A new certification will be required if the State significantly revises its management process for the RD&T program.

(b) The certification shall consist of a statement signed by the Administrator, or an official designated by the Administrator, of the State transportation agency certifying as follows: I (name of certifying official), (position title), of the State (Commonwealth) of \_\_\_\_\_, do hereby certify that the State (Commonwealth) is in compliance with all requirements of 23 U.S.C. 307 and its implementing regulations with respect to the research, development and technology transfer program,

## Federal Highway Administration, DOT

§ 450.100

and contemplate no changes in statutes, regulations, or administrative procedures which would affect such compliance.

(c) The FHWA Division Administrator shall determine if the State is in compliance with the requirements of this subpart.

### § 420.215 Procedure for withdrawal of approval.

(a) If a State is not complying with the requirements of this subpart, or is not performing in accordance with its RD&T management process, the FHWA Division Administrator shall issue a written notice of proposed determination of noncompliance to the State. The notice shall set forth the reasons for the proposed determination and inform the State that it may reply in writing within 30 calendar days from the date of the notice. The State's reply should address the deficiencies cited in the notice and provide documentation as necessary.

(b) If the State and Division Administrator cannot resolve the differences set forth in the determination of nonconformity, the State may appeal to the Federal Highway Administrator.

(c) The Federal Highway Administrator's action shall constitute the final decision of the FHWA.

(d) An adverse decision shall result in immediate withdrawal of approval of FHWA planning and research funds for the State's RD&T activities until the State is in full compliance.

## PART 450—PLANNING ASSISTANCE AND STANDARDS

### Subpart A—Planning Definitions

Sec.

- 450.100 Purpose.
- 450.102 Applicability.
- 450.104 Definitions.

### Subpart B—Statewide Transportation Planning

- 450.200 Purpose.
- 450.202 Applicability.
- 450.204 Definitions.
- 450.206 Statewide transportation planning process: General requirements.
- 450.208 Statewide transportation planning process: Factors.
- 450.210 Coordination.

- 450.212 Public involvement.
- 450.214 Statewide transportation plan.
- 450.216 Statewide transportation improvement program (STIP).
- 450.218 Funding.
- 450.220 Approvals.
- 450.222 Project selection for implementation.
- 450.224 Phase-in of new requirements.

### Subpart C—Metropolitan Transportation Planning and Programming

- 450.300 Purpose.
- 450.302 Applicability.
- 450.304 Definitions.
- 450.306 Metropolitan planning organization: Designations and redesignation.
- 450.308 Metropolitan planning organization: Metropolitan planning area boundaries.
- 450.310 Metropolitan planning organization: Agreements.
- 450.312 Metropolitan transportation planning: Responsibilities, cooperation, and coordination.
- 450.314 Metropolitan transportation planning process: Unified planning work programs.
- 450.316 Metropolitan transportation planning process: Elements.
- 450.318 Metropolitan transportation planning process: Major metropolitan transportation investments.
- 450.320 Metropolitan transportation planning process: Relation to management systems.
- 450.322 Metropolitan transportation planning process: Transportation plan.
- 450.324 Transportation improvement program: General.
- 450.326 Transportation improvement program: Modification.
- 450.328 Transportation improvement program: Relationship to statewide TIP.
- 450.330 Transportation improvement program: Action required by FHWA/FTA.
- 450.332 Project selection for implementation.
- 450.334 Metropolitan transportation planning process: Certification.
- 450.336 Phase-in of new requirements.

AUTHORITY: 23 U.S.C. 134, 135, 217(g), and 315; 42 U.S.C. 7410 et seq.; 49 U.S.C. 5303-5306; 49 CFR 1.48(b) and 1.51.

SOURCE: 58 FR 58064, Oct. 28, 1993, unless otherwise noted.

### Subpart A—Planning Definitions

#### § 450.100 Purpose.

The purpose of this subpart is to provide definitions for terms used in this part which go beyond those terms defined in 23 U.S.C. 101(a).