

**CHANGE**

U.S. DEPARTMENT OF TRANSPORTATION  
FEDERAL AVIATION ADMINISTRATION

2500.35C CHG 3

10/30/91

REIMBURSABLE AGREEMENTS COVERING SERVICES AND MATERIEL PROVIDED BY THE  
SUBJ: FEDERAL AVIATION ADMINISTRATION

1. PURPOSE. This change revises Appendix 2: Administrative Overhead Rates.

2. EXPLANATION OF CHANGES. The rates contained in this document are intended to ensure that the Federal Aviation Administration (FAA) receives adequate reimbursement for services provided to non-FAA entities. In response to an Office of Inspector General report that found FAA had not revalidated or revised the overhead rates used in billings for services since the rates were established in 1979, a commitment was made to Congress to revise the rates for FY 1992. Thus, this document provides for increases to 17% (Federal) and 26% (non-Federal) as of November 1, 1991.

PAGE CONTROL CHART

Remove	Dated	Insert	Dated
Appendix 2, Pages 1 and 2	7/25/79	Appendix 2, Pages 1 (and 2)	10/30/91

*for Dana Scott*  
Brooks Goldman  
Associate Administrator for Administration

**CHANGE**

DEPARTMENT OF TRANSPORTATION  
FEDERAL AVIATION ADMINISTRATION

2500.35C CHG 2

8/17/83

**SUBJ: REIMBURSABLE AGREEMENTS COVERING SERVICES AND MATERIEL  
PROVIDED BY THE FAA**

1. PURPOSE. This change substitutes a revised and expanded Article II for the sample presently contained in the Memorandum of Agreement under Appendix 1 of this order. The order also has been updated to express employment ceiling in terms of Full-Time Equivalent (FTE) workyears.

2. EXPLANATION OF CHANGE..

a. Current reimbursable agreements often lack one or more of the elements of data necessary for the proper administration of agreements covering services and materiel provided by the FAA. Examples of items omitted include information designating appropriate billing offices, identification of the responsible performing organization, the office to which FAA should render bills, supporting documentation requirements, provisions pertaining to assessment of administrative overhead, and omissions that result in billing delays. The revised sample Article II contains more definitive guidance as to the type and detail of information required.

b. In addition, the terminology contained in paragraph 10.a. of this order has been updated to express employment ceilings in terms of Full-Time Equivalent (FTE) rather than year-end employment.

Remove Pages	Dated	Insert Pages	Dated
9 and 10 Appendix 1	7/25/79	9 and 10 Appendix 1	8/17/83
1 and 2	7/25/79	1 2 and 2-1	7/25/79 8/17/83



Charles E. Weithoner  
Associate Administrator for Administration

**CHANGE**

DEPARTMENT OF TRANSPORTATION  
FEDERAL AVIATION ADMINISTRATION

2500.35C CHG 1

8/28/81

Cancellation  
Date: Retain

REIMBURSABLE AGREEMENTS COVERING SERVICES AND MATERIEL PROVIDED  
SUBJ: BY THE FAA

1. PURPOSE. This change incorporates additional guidance dealing with project materiel, the hold harmless clause, and imposition of late charges.

2. EXPLANATION OF CHANGES.

a. Paragraph 11j has been revised to provide for exclusion of the hold harmless clause when negotiating agreements with certain other governmental bodies. On occasion delays in negotiating agreements have occurred when the other party was a governmental body which was prohibited by statute from entering into agreements containing a hold harmless clause.

b. Paragraph 11k has been added specifying that compliance with Order 4650.7, Management of Project Materiel, is required when the agreement calls for Washington office furnished materiel.

c. Other related or less significant changes have been identified with asterisks.

Remove Pages	Dated	Insert Pages	Dated
5 and 6	7/25/79	5	7/25/79
		6	8/28/81
11 thru 16	7/25/79	11	7/25/79
		12	8/28/81
		12-1 (and 12-2)	8/28/81
		13	8/28/81
		14	7/25/79
		15	7/25/79
		16	8/28/81

Charles E. Weithoner  
Associate Administrator for Administration

Distribution: ZBU-323

Initiated By: ABU-10

# ORDER

## DEPARTMENT OF TRANSPORTATION FEDERAL AVIATION ADMINISTRATION

ABU-100 *fill*

2500.35C

7/25/79

**REIMBURSABLE AGREEMENTS COVERING SERVICES AND  
SUBJ: MATERIEL PROVIDED BY THE FAA**

1. **PURPOSE.** This order establishes policy and procedures for reimbursable agreements covering services and materiel provided by the FAA to other Federal and non-Federal parties. This order does not apply to:
  - a. Agreements where FAA is the recipient of goods or services.
  - b. Transactions between Metropolitan Washington Airports and concessionaires, airlines, and all other tenants located on the Metropolitan Washington Airports.

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2. DISTRIBUTION. This order is distributed to all Washington, region, and center offices involved in the formulation of budget and program estimates, administration of fiscal programs, or utilization of agency resources.

3. CANCELLATION. Order 2500.35B is canceled.

4. EXPLANATION OF CHANGES.

a. All transactions between Metropolitan Washington Airports and tenants located on the airports are excluded from the scope of this order. A Comptroller General (CG) decision dated 8/14/78 provides the basis for the exclusion.

b. The existing overhead rates of 8% for Federal parties and 10% for non-Federal parties have been changed to 10% and 12% respectively.

c. Greater latitude has been provided for regions, centers, offices, and services to negotiate new or amend existing agreements if sufficient resources are available.

d. Authority is granted to region, center, office, and service directors to waive recovery of costs, on agreements which they have authority to negotiate, which cost less than \$1,000.

5. EFFECTIVE DATE. Changes required by revisions to this order that can be implemented using existing price escalation clauses shall be effective with the beginning of the next billing period. Changes to other agreements shall be implemented when amended or at the next annual review.

6. DEFINITIONS. The terms used in this order have the following meanings.

a. User Agencies.

- (1) Federal agencies of the U.S. Government.
- (2) States, counties, cities, or other public authorities.
- (3) International organizations or foreign governments.
- (4) Private organizations or persons.

b. Reimbursable Agreements. Written documents including Project Orders/Military Interdepartmental Purchase Requests (MIPR) executed by authorized representatives of the FAA and user agencies under which the FAA provides materiel or services. However, MIPR's will not be used in lieu of a written

agreement when personal services are involved. An exchange of letters or memoranda of understanding between FAA and user agencies may be used in lieu of the formal agreement (see Appendix 1, Sample Agreement), providing the letters contain all essential elements and conditions of time, amount, billing instructions, service to be performed, etc.

c. Administrative Overhead. This covers the overhead costs as defined in Appendix 2, Administrative Overhead Rates.

d. Basic Costs. Basic costs represent the value of resources (supplies, equipment, training, services, etc.) consumed or used; the value of material furnished or produced, and/or the value of work/equipment put in place. Such costs shall include but are not limited to:

(1) Labor and materiel used. This includes personnel compensation and benefits (including training required by the agreement) and may include travel and transportation of persons; transportation of things; communications, utilities and other rent; printing and reproduction; other services; supplies and materiel; and equipment. The cost of permanent change of station (PCS) moves and leave earned should be included when personal services are a significant part of the product or service.

(2) Training. This includes any technical training costs incurred as a result of FAA entering into an agreement. It is not limited to those employees actual performing reimbursable services but may also include personnel required to backfill the position.

(3) Supervision. This includes personnel compensation and benefits and may include travel and other costs. Generally, the cost of supervision should be construed as covering the first level only.

(4) Depreciation when a significant part of the product or service (Non-Federal only).

(5) Interest, when significant, on the undepreciated value of depreciable assets and the value of land used in reimbursable agreements (Non-Federal only). Use the average rate of yield for long-term Treasury bonds as shown in the current monthly Treasury Bulletin.

(6) Free Space. Technical-use free space when a significant part of the product or service. (Non-Federal only).

e. Reimbursements.

(1) Amounts earned by the Government for commodities, work, or services furnished to an individual, firm, corporation, State or local

government, Federal agency, or foreign governmental entity for which payments are required, and which may be credited to an appropriation or fund.

(2) Orders accepted from another account of the Government for which an obligation is reportable by that account, and the collection creditable to an appropriation fund. Also included are amounts advanced or collected from the public which are not yet earned by the account or fund.

f. Advance of Funds. Amounts collected in advance or to be collected in advance for services to be performed or materiel to be furnished in accordance with terms of a written agreement.

g. Materiel or Services. Includes supplies, equipment, work, or services that the FAA agrees to provide to a user agency. The term includes but is not limited to:

- (1) Purchasing and/or installing equipment.
- (2) Relocating equipment and/or facilities.
- (3) Providing administrative or technical services.
- (4) Conducting training, surveys, flight inspections.
- (5) Furnishing housing, commissary, domestic, medical, dental, communications, or utility services.
- (6) Leasing of buildings, grounds, or equipment.

h. Washington Program Office(s). The offices and services having primary program interest for activities conducted by regions and centers.

## 7. POLICY AND GENERAL GUIDELINES.

a. Policy. Within statutory and administrative authority, it is the policy of the agency to negotiate and enter into written reimbursable agreements prior to the furnishing of materiel or services and provided all of the following conditions are satisfied:

- (1) The nature of the program is the same as that conducted under FAA legislative and appropriation authority.
- (2) The program enhances the broad purpose and policies of the FAA.
- (3) The performance of the program will not inhibit the conduct of FAA programs.

(4) The program can be accomplished within FAA employment ceilings or within additional ceilings provided by Office of the Secretary of Transportation (OST) and/or the Office of Management and Budget (OMB).

b. General Guidelines. Reimbursable programs may be performed only as authorized by law and/or other authority. In negotiating agreements, the following points shall be considered:

(1) The funding of reimbursable agreements is subject to the same fiscal programming, authorized positions and end-of-year ceilings, apportionment, and allotment procedures that apply to FAA direct appropriations.

(2) Authorities or statutory limitations applicable to any appropriation are not changed by virtue of a reimbursable program.

8. COST RECOVERY FOR SERVICES/MATERIEL. It is the responsibility of regional and center directors, and heads of offices and services to ensure that charges established for each agreement include the basic costs defined in paragraph 6. To simplify and facilitate the development of agreements, agency-wide rates for administrative support costs applicable to all agreements and for certain additional overhead costs to be charged non-Federal parties have been developed and are set forth in Appendix 2, Administrative Overhead Rates. It is the responsibility of the negotiating organization to ensure that the agreement reflects all elements of the basic cost other than those elements covered by the agency-wide overhead rates and that the proper Federal or non-Federal administrative overhead rate is then applied and added to this amount to establish the total charge to the user agency.

a. Acquisition of Equipment. If it is necessary to acquire equipment in the furnishing of services and/or materiel for which FAA does not otherwise have a need, the full acquisition cost including transportation and handling shall be recovered, and such equipment shall become the property of the agency for which purchased. If equipment is acquired primarily to meet an FAA need and is subsequently diverted to provide services covered by a reimbursable agreement, the full acquisition cost, including transportation and handling, shall be fully recovered. If equipment is acquired primarily to meet an FAA need and is used only incidentally in the performance of the reimbursable agreement, such equipment becomes the property of the FAA and its full acquisition cost shall be absorbed by FAA.

b. Non-Federal Government User Agencies. The above cost recovery guidelines apply except as modified by other agency directives. However, there are types of transactions where charges need not be limited to the recovery of costs but may also produce net revenues to the Government. Two examples of these are:

(1) Sale or Lease of Federally-Owned Resources. Office of Management and Budget Circular A-25 and the latest edition of Order 2510.11, User Charges, provide that charges for the lease or sale of Federally-owned resources or property shall be at the fair market value and shall be determined by the application of sound business practices.

(2) Services Provided Outside the 48 Contiguous States Under Authority of P.L. 80-647. Section 10 of that legislation provides that charges for aeronautical services provided under authority of P.L. 80-647 shall be just and reasonable. (See the latest edition of Order 2500.33, Furnishing Services at FAA Activities Outside the 48 Contiguous States.)

c. Specialized Services Covered in Separate Directives. The cost recovery guidelines (paragraph 7 through 8b) do not supersede tailored costing techniques prescribed separately for specialized services, such as those prescribed in the latest edition of the following orders:

- (1) 2500.36, Application of Reimbursable Flight Hour Rates.
- (2) 2500.41, Reimbursement for Costs of Training Non-FAA Personnel.
- (3) 2510.7, Submission of Data for Computing Cost of Class B Communications.
- (4) 2766.2, Facilities Establishment Cost Accounting System.
- (5) 4000.5, Aircraft Program Management System.
- (6) 6030.25, Price Quotes for Equipment Furnished to Federal, State and Local Agencies and Foreign Governments.
- \* (7) 4650.7, Management of Project Materiel \*

d. Cost Finding Techniques. In certain instances it may be more efficient to determine the cost to be recovered by using analytical or sampling methods. Analytical data or sampling results used in this approach shall be reviewed and brought up to date as often as conditions warrant but not less frequently than once each fiscal year.

#### 9. EXCEPTIONS AND WAIVER OF FULL COST RECOVERY.

a. General Guidelines. Recovery of costs incurred in providing services and materiel shall not be waived, except as may be authorized by law or other Federal authority.

(1) Agreements With Non-Federal Parties. Exceptions to the general policy of recovering full cost from NON-FEDERAL parties include the following:

(a) The incremental cost of collecting the fees would be an unduly large part of the receipts from the activity.

(b) The furnishing of the service without charge is an appropriate courtesy to a foreign country or international organization; or comparable fees are set on a reciprocal basis with a foreign country.

(c) The recipient is engaged in a non-profit activity designed for the public safety, health, or welfare.

(d) Payment of the full fee by a state, local government, or non-profit group would not be in the interest of the program.

(2) Agreements With Federal Parties. Basic costs, including administrative overhead, shall be recovered from Federal parties. Waiver of cost recovery from Federal parties may be granted when the costs of collection would be an unduly large part of the receipts from the party.

(3) Requests for Waiver. Requests for waiver should be made only under unusual circumstances and should be accompanied by supporting justification that documents the reason(s) the waiver is considered merited. If appropriate, quantitative data to support the waiver should be submitted. The justification should expand on the exceptions above by highlighting the reasons that support the waiver; for example:

(a) Provision of reciprocal services. (If this is a recurring item, it should be considered for inclusion in the direct program.)

(b) Real benefits to be received the U.S. Government as a whole (Non-Federal).

(c) Benefits to be received by FAA in furtherance of its assigned mission. (If this is a recurring item, it should be considered for inclusion in the direct program.)

(4) Waiving A Portion of Administrative Overhead. In certain large agreements, such as major equipment buys, where the personal services costs are a minor part of the FAA cost, requesting waiver of a portion of the administrative overhead rate may be appropriate. In those instances, the recommended rate or amount should be fully justified.

b. Procedures for Processing Requests for Waiver of Cost Recovery.

(1) Training Agreements (Other Than With Foreign Governments).

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(a) Submit requests to the Office of Personnel and Training with a copy to the Office of Budget.

(b) Office of Personnel and Training reviews and coordinates request with the Office of Budget.

(c) The Director, Office of Personnel and Training, approves or disapproves waiver of cost recovery.

(2) Agreements Involving International Activities. These include agreements with foreign governments, international organizations, or other Federal parties if services or materiel to be provided are for the benefit of foreign or international recipients.

(a) Submit requests to the Office of International Aviation Affairs.

(b) Office of International Aviation Affairs reviews and coordinates request with the Office of Budget (and with the Office of Personnel and Training, if the agreement involves training), and other affected agency elements.

(c) The Director, Office of International Aviation Affairs, approves or disapproves waiver of cost recovery.

(3) Authority of Region, Center, Office, or Service to Waive. Regional, center, office, and service directors are authorized to waive cost recovery on agreements, which they are authorized to negotiate, costing less than \$1,000 a year on recurring agreements or for one-time agreements having less than one year's life.

(4) All Other Agreements Costing \$1,000 or More.

(a) Submit requests to the Office of Budget,

(b) Office of Budget reviews request.

(c) The Director, Office of Budget, approves or disapproves waiver of cost recovery.

c. Filing of Waivers. File the original of the approved waiver with the original of the agreement.

d. Alternative to Waiver of Costs on Agreements Costing Less Than \$1,000. In some instances, on agreements that cost less than \$1,000, it may be advantageous for the Government to collect these costs and to deposit

the funds in general fund receipts. Under this procedure, the need to establish a reimbursable program would be negated. This procedure should be considered if the costs associated with establishing a reimbursable program are a significant part of the agreement price.

#### 10. EMPLOYMENT CEILINGS.

\* a. General. Full-Time Equivalent (FTE) workyear employment ceilings covering both full-time permanent and other than permanent positions are issued by the Office of Budget. These ceilings are applicable to the direct and reimbursable programs in all appropriations. To assure that agency employment authorizations required for the conduct of direct programs are not diverted as a result of providing reimbursable services, the procedures in this paragraph are established to control new, and amendments to existing, reimbursable agreements that require additional employment ceiling.

\* b. Negotiating Agreements With Others. Commitments shall not be made nor new agreements or amendments executed requiring additional employment ceiling without requesting prior clearance from \* the Office of Budget.

c. Submission of Requests. Requests for clearance shall be forwarded to the Office of Budget and shall include the following information:

(1) Agreement number, if an amendment to an existing agreement.

(2) Other agency or party to the agreement.

(3) Type of service to be provided.

(4) Number of employees required to provide the services and type, i.e., full-time permanent or all other.

(5) Estimated duration of the new or amended agreement.

(6) A statement as to how much of the employment can be absorbed within current region, center, office, or service employment ceiling.

#### d. Review of Requests.

(1) Coordination. The Office of Budget shall conduct any FAA headquarters, OST, or OMB coordination that may be necessary.

(2) Additional Ceiling Required. The Office of Budget shall determine from a national level whether additional ceiling authorizations are required. Generally, the following shall apply:

(a) Agreements With Federal Agencies. If additional ceiling is required, the Office of Budget, through OST, shall request the transfer of employment ceiling from the Office of Management and Budget (OMB). OMB will contact the other agency and arrange for the transfer of ceiling. (Simultaneously, the other agency should also have initiated action per Appendix 1, Article V.)

(b) Agreements With Non-Federal Parties. Generally, the performing organization should be prepared to charge the employment requirement against its authorized employment ceiling. If this cannot be accomplished, a request for additional ceiling may be submitted to ABU. In the case of agreements that would have significant impact on agency employment, i.e., multi-agency agreements with foreign countries, the Office of Budget shall request employment ceiling relief from OMB through OST.

(3) Approval of Clearance Requests. If ceiling is available within the FAA, or after receipt of ceiling from OST, the Office of Budget shall advise the requesting organization so that the agreement may be consummated.

e. Return of Employment Ceiling. The FAA organizational element, which is the principal party to the agreement, shall initiate action to return employment ceiling to the Office of Budget when an agreement expires or is amended to reduce the need for the increased ceiling.

11. NEGOTIATING AND SIGNING AGREEMENTS. In emergency situations, work may be undertaken on a reimbursable program in the absence of a signed agreement and the necessary budget authorizations, provided, that a written agreement will be negotiated with the least possible delay.

a. Level of Authority.

(1) Secretary, Department of Transportation. Execution of any written interdepartmental or interagency agreement with a head of another Executive department or agency is reserved to the Secretary of Transportation.

(2) Agreements Involving International Activities. The Director of International Aviation is authorized to negotiate and sign, on behalf of the agency, all agreements involving services/materiel to be provided by FAA to foreign parties, governments, or international organizations. In this context, AIA shall be responsible for negotiating, executing, and administering all agreements and related amendments with foreign governments,

international organizations, U.S. Trust Territories and Federal parties, such as the Department of State, Department of Defense, Department of Interior, Agency for International Development, or EXIM Bank, if services or materiel to be provided are for the benefit of foreign or international recipients.

(3) All Other Agreements. Regional and center directors, heads of offices and services, or other comparable levels, and contracting officers may negotiate and sign all other agreements applicable to their functional/geographical areas. No further redelegation of this authority is authorized.

b. Region and Center Agreements.

(1) General. When regions or centers are requested to perform projects or make changes to existing projects, they shall negotiate the agreements directly with the agency or party involved, without prior approval of FAA headquarters, provided the agreements do not:

(a) Cross established boundaries over which other regions and centers have jurisdiction;

(b) Involve the Washington Office;

(c) Involve international matters;

(d) Involve Senior Executive Service (SES) positions, GS-16 and above positions, or cause average grade or employment ceilings to be exceeded;

(e) Exceed amounts allotted by reimbursable limitation, amounts apportioned, or current annual fiscal program.

(2) Ceilings and Limitations. If the consummation of an agreement would involve SES positions, GS-16 and above positions, or would cause average grade or limitations to be exceeded, prior approval from the Office of Budget shall be obtained. See paragraph 10 for procedures involving employment ceilings and paragraph 15 for fund control procedures.

(3) Agreements Crossing Region or Center Lines. Generally, proposals for agreements crossing regional or center lines shall be submitted to the appropriate Washington program office or service for negotiation, coordination, and signature. (See paragraph c below for exception.) The memorandum of transmittal shall contain all pertinent information, including an estimate of the quarterly apportionment needed to finance the project.

The Washington program office or service involved shall clear with the Office of Budget prior to consummating the agreement and advising the regions or centers that the agreement has been signed. Paragraph e. prescribed coordination procedures for these agreements.

c. Washington Office Agreements. Generally, agreements involving all or several of the regions, centers, and/or offices and services are to be negotiated, coordinated and signed by the Washington program office responsible for the project and that office shall assume complete responsibility for intra-agency coordination. However, if the agreement provides for only a minimal involvement of the Washington office, another region or center, e.g., provision of normally furnished Government materiel, the agreement may be signed by the region provided it has been coordinated in writing and written approval has been obtained from the applicable Washington program office. \*

d. Loan and Supply Support Agreements. The negotiation, execution and administration of these agreements shall also consider responsibilities set forth in the latest edition of Order 4580.1, Loan and Supply Support Agreements.

e. Coordination of Agreements. Organizations responsible for negotiating agreements shall coordinate the agreement with all interested agency offices. Particular attention should be paid to those agreements that cross Washington office, region, or center functional responsibilities. As a minimum this includes BUDGET, ACCOUNTING, AND COUNSEL. To properly document this coordination, the FAA Form 1300-1, Clearance Record, should be used to obtain concurrence of the various offices, and shall become part of the agreement file. As prescribed in the latest edition of Order 2700.12, Materiel/Services Provided to others on a Billable Basis, the Office of Accounting, Financial Systems Division (AAA-400), is the coordinating accounting division for agreements that involve or will subsequently involve two or more lead regions, centers, and/or headquarters, or that are negotiated by a Washington office and involve a single region or center. For agreements involving only FAA headquarters, the Office of Accounting, Accounting Operations Division (AAA-200) is the coordinating accounting division.

f. Revisions to Agreements. Changes to agreements, including costs, shall be made by written amendments to existing agreements (see Article III, appendix 1).

g. Duration of Agreements. The duration of agreements shall be determined on the basis of the work to be accomplished. Generally, agreements fall into the following categories:

(1) Long-Term Agreements. Agreements for continuing projects, where no significant project changes are contemplated, are particularly adaptable to long-term treatment without annual renewal. Such long-term agreements shall be negotiated and approved on the basis of "availability of funds," and the agreement shall so stipulate. The price-to-be-charged provisions of long-term agreements shall be reviewed by the negotiating organization annually to determine whether cost and/or other factors (including revised overhead rates) require that agreements be amended. In addition, these agreements shall be reviewed whenever cost increases (such as pay raises) occur that are over and above those provided for in the agreements.

(2) One-year Agreements. One-year agreements, or agreements involving one year appropriations, shall be utilized for one-time projects or where, by nature of a program, significant changes will occur from year-to-year.

h. Legal Authority. The following are the more common legal authorities for entering into reimbursable agreements.

- (1) Other Federal Agencies: 31 USC 686, 49 USC 1343(1).
- (2) Training Agreements: 49 USC 1354(d).
- (3) Outside the Contiguous 48 States: 49 USC 1154.
- (4) Other Than Federal Parties Within the 48 Contiguous States: 49 USC 1344(a).

i. Escalator Clause. Agreements should normally contain escalator clauses or similar language that permits the FAA to bill for more than the agreed-upon-price, or estimated price, to cover unanticipated cost increases such as pay raises and inflation, etc.

\* j. Liability Clauses. All agreements with non-Federal parties shall contain a liability clause similar to that shown in Appendix 1, Sample Agreement. However, if the other party is a governmental body that can demonstrate that it is prohibited by statute from entering into an agreement that contains a hold-harmless clause, the agreement may be executed without the clause. \*

- \* k. Materiel Management. Prior to execution of any agreement containing requirements for Washington office furnished materiel, compliance is required with Order 4650.7, Management of Project Materiel, especially those sections pertaining to reimbursable agreements. \*

12. NUMBERING AGREEMENTS. After an agreement is signed by the FAA and the user agency, the original of the agreement and duplicate copies shall be numbered as follows:

- a. The Office of Budget shall assign consecutive numbers to agreements which cover national and/or international program (NAT) or Washington offices (WO). NAT numbers shall be used for agreements (1) that involve international activities, (2) that cross region/center lines, or (3) that involve

a. region/center and the Washington office. Requests for NAT number assignments shall document the basis for the NAT designation.

b. Agreements executed by the regions and centers shall be assigned consecutive numbers by the office designated to perform this function. The numbers shall be prefixed with identifying designators, such as SO, AL, AC, etc.

c. Numbers assigned international agreements in the above categories will be further prefixed with an I, e.g., NAT I 304, WO I 304, SO I 304, etc.

d. Agreements negotiated under Title III of the Intergovernmental Cooperation Act of 1968 shall be prefixed with a T, e.g., NAT T 300, WO T 300, etc.

### 13. FINANCING AGREEMENTS.

a. Between FAA and Other Federal Government Agencies. In those instances where FAA cannot fund reimbursable programs on the basis of current billings, user agencies may make funds available in an advance of funds, or in transfer appropriation accounts, primarily for:

(1) Construction, major procurement, or contractual services to be procured by FAA on behalf of the other Federal government agencies.

(2) Services and/or materiel to be furnished by FAA beyond the fiscal year in which the agreement is made, provided user agency funds are available for obligation in future fiscal years.

b. Between FAA and User Agencies Other Than Federal Government. In cases where FAA does not intend to fund a program for a foreign government, state, county, municipality, other public authority, or private source on a reimbursement basis, or doubts the paying ability of the user agency concerned, the agreement shall stipulate that an advance of funds will be required:

(1) To cover the entire agreed-upon-price of the project, or

(2) On an installment basis (prior to the need for FAA to obligate the funds).

c. Coordination with Budget Office. If agreements are to be financed on other than a reimbursable basis, prior coordination with the FAA budget office is required.

d. Collection Delinquencies. Every possible effort shall be made to insure that the agency is reimbursed for the amount agreed to in the agreement. In the event that collections cannot be made, the Office of Budget shall be notified immediately, since it will be necessary, as an initial step, for the agency to charge its own appropriation.

e. Net Reimbursements. Where the FAA and the other user agency provide services or materiel to each other, the written agreement shall stipulate that a net reimbursement to one party or the other shall be made. In the event that net billings are rendered, they should be documented to show the gross value and nature of the services performed by each party in arriving at the net amount.

f. Disposition of Collections. Prior to the execution of agreements, determination shall be made to ascertain whether reimbursements for services/materiel must be deposited to miscellaneous receipts or may be credited to the appropriation, since the disposition of reimbursements may be a determinant as to whether the agreement shall be undertaken. The latest edition of Order 2700.3, Accounting Principles, Concepts, and Procedures, provides guidance on the crediting to miscellaneous receipts of reimbursements in excess of costs. Questions concerning the disposition of reimbursements shall be referred to the Office of Budget.

#### 14. BILLINGS.

a. General. The agreements shall designate the billing office(s) and provide specific billing instructions to the effect that billings should be rendered on either an obligation, or services rendered (accrual) basis and periodically, but not less frequently than quarterly through the fiscal year. The basis and billing period will be agreed upon by FAA and the user agency at the time the agreement is negotiated. Designation of billings office(s) will be made as prescribed in the latest edition of Order 2700.12. All billings shall be prepared in accordance with the provisions of the latest edition of Order 2700.3, Chapter 9.

b. Billing Support. Documentation in support of billing charges shall be sent to the billing office promptly. Final supporting documentation and notification that the terms of the agreement have been satisfied should be sent to the billing office within 10 days after completion of the project.

c. Final Billing. The final billing on any project shall bear the adjustment for actual cost of the project when so required by the agreement.

d. Mandatory Billing Information. Article II of appendix 1 contains specific mandatory billing information, which shall be included in any

agreement. Included in that article is the requirement that agreements contain a statement that late charges may be assessed on overdue payments. \* The latest editions of Order 2700.3, and 2700.24, provide specific guidance for establishment of due dates and imposition of late charges. \*

#### 15. FISCAL PROGRAMS AND SUPPORTING DOCUMENTATION.

a. General. Upon receipt of initial annual allowances and allowances issued subsequent to completion of fiscal status reviews, each office, service, region, or center shall furnish for each fiscal program (under each appropriation and separately for General Fund and Trust Fund) an FAA Form 1412, Part III, or FAA Form 3803-1, as the case may be, to the Office of Budget in support of all reimbursable agreements. The Form 1412 shall include an attachment listing all agreements by number, amount, user agency, and the applicable administrative overhead charges. The non-administrative overhead amounts shown on the attachments shall reconcile with the costs reflected on the 1412 or 3803-1.

b. New or Amended Agreements.

(1) When Resources are Available. Organizations may negotiate agreements and provide materiel or services, if sufficient unobligated reimbursable allotment and corresponding apportionment funds are available and performance can be accomplished within the annual reimbursable fiscal program.

(2) When Resources are Not Available. If resources described in (1) above are not available but are required immediately, then organizations shall request additional resources from the Office of Budget by letter or telegraphic message, but preferably thru the normal budgetary review process.

(3) Fiscal Programs and Supporting Documentation. Revisions required as a result of new or amended agreements must be reflected in the next quarterly review. However, when approval is granted as a result of a request made during the fourth quarter of the fiscal year, organizations are responsible for immediately preparing a revised fiscal program (supported by a copy of the agreement) which shall be submitted to the Office of Budget.

16. DISTRIBUTION OF AGREEMENTS. The ORIGINAL of all signed agreements and amendments shall be provided to the accounting division servicing the lead organization. For agreements and amendments which involve or will subsequently involve two or more lead regions, centers and/or headquarters, the original shall be provided to the Financial Systems Division, AAA-400 with copy(s) to the billing office(s) for the lead organization(s). In addition, the following instructions apply:

a. Agreements Signed by Offices and Services. Sufficient copies of agreements signed by Washington organizations shall be forwarded to the Office of Budget to permit the following distribution:

(1) Two copies - one to be retained by the Office of Budget for fiscal control purposes and one for the appropriate program division of the Office of Budget.

(2) Copy to the Office of the Chief Counsel.

(3) Two copies to be returned to the office or service that signed the agreement.

(4) If a "NAT" agreement is involved that affects regions or centers, five copies to the budget office of the organization concerned for appropriate local distribution. (One of which will be for the affected accounting division.)

b. Agreements Signed by Regions, the Aeronautical Center, or NAFEC. Signed agreements shall be distributed by the regional or center budget offices as follows:

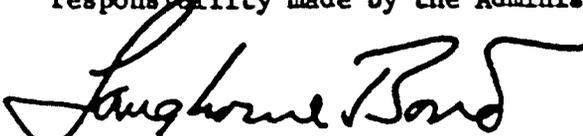
(1) Three copies to the Office of Budget. Include the revised fiscal program and supporting documentation when prescribed by paragraph 15. The Office of Budget shall make distribution to Washington program offices concerned.

(2) Local distribution as necessary.

(3) One copy to other contributing regional or center accounting and budget offices. The Aeronautical Center shall be sent a copy of all Loan and Supply Support Agreements.

17. OTHER AGREEMENT DIRECTIVES. This directive provides the basic policy and procedures for the majority of all agreements negotiated by FAA organizations. However, there may be peculiar or specialized reimbursable activities that require separate instructions. Directives issued to meet these special situations shall be coordinated with the Office of Budget and other appropriate Washington headquarters organizations prior to implementation.

18. CHANGES TO THIS DIRECTIVE. The Associate Administrator for Administration is authorized to approve changes to this order providing the change does not affect policy, a delegation of authority, or an assignment of responsibility made by the Administrator.



Langhorne Bond  
Administrator



8/17/83

SAMPLE

ARTICLE II - Reimbursement, Performance, and Accounting Arrangements

\* a. The (Other Party) will (make advance payment to) or (reimburse) the FAA (Monthly, Quarterly, Other) for the (actual project costs) or (accrued expenditures) incurred by FAA in furnishing supplies, equipment, and services under this agreement; provided, however, that upon revocation or termination of the agreement for any cause the (Other Party) will reimburse the FAA for all necessary liquidating expenses.

b. Administrative overhead will be assessed on each bill at the rate of (current rate specified in the latest issuance of Order 2500.35 for Federal or Non-Federal Party). This overhead represents the cost to the FAA of those indirect expenses which are a part of the cost of overhead agency operations. The overhead rate shall be adjusted automatically and without the necessity for formal amendment of the agreement upon issuance of revised rates in Order 2500.35. (Overhead required on all agreements unless specifically waived in accordance with FAA Order 2500.35. Waiver must be attached to agreement.)

c. The FAA hereby identifies the (Headquarters, Region, or Center) assigned responsibility for the accomplishment of the (specific project/services) or (agreement). The accounting division identified by FAA as the billing office is:

Federal Aviation Administration  
Accounting Division (Routing Symbol)  
Address  
Telephone No.

d. The (Other Party) hereby identifies the office to which FAA will render bills for the project costs incurred as follows:

Name  
Address  
Routing Info and Special Requirements  
Telephone No. (if available)

e. Billing will be provided by FAA on (SF-1080, SF-1081, SF-1114) with supporting documentation in the following detail:

(Summary of cost by object class is preferable; if not, be specific as to type and level of detail required. Also list special forms or citations required by other party, if any.  
NOTE: For purposes of accountability of expended cost and cost identification by the billing office, when additional funds are assigned for other tasks under an existing Reimbursable Agreement Number, the new funds are to be assigned a new and separate Job Order Number (JON) from those already assigned.)

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Appendix 1

f. The amounts set forth in this agreement are estimates and may be adjusted to recover the FAA's actual costs. If during the course of this agreement, actual costs are expected to exceed the estimate by more than 10 percent, the FAA will notify the (Other Party) as soon as this is known, but not less than 30 days prior to submission of the final billing.

\* g. Payment for billings is due within 30 days (60 days for foreign governments) of date of invoice. Late charges will be assessed on delinquent payments in accordance with U.S. Treasury Regulations (Treasury Fiscal Requirements Manual, Section 6-8020.20). Late charges are computed by multiplying the amount of the overdue payment by the percentage rate prescribed quarterly by the Treasury Department for each 30-day period, or portion thereof, during which payments are overdue. (Paragraph g for Non-Federal only). \*

#### ARTICLE III - Amendment

Any change in the supplies, equipment or services to be furnished under this agreement shall be formalized by an appropriate written amendment to the agreement which shall outline in detail the exact nature of the change.

#### ARTICLE IV - Effective Date

This agreement supersedes any previous agreements between the parties on the subject matter set forth in Article I hereof and is effective (Date) and will be concluded (Date) or (Project Completion).

**ARTICLE VII - Revocation**

This agreement may be revoked at any time by either party by \_\_\_\_\_ days' notice in writing.

The FAA and (Other Party) agree to the provisions of this agreement as indicated by the signature of their duly authorized officers.

**Federal Aviation Administration**

By \_\_\_\_\_  
Title \_\_\_\_\_  
Date \_\_\_\_\_

**(Other Party)**

By \_\_\_\_\_  
Title \_\_\_\_\_  
Date \_\_\_\_\_

APPENDIX 2. ADMINISTRATIVE OVERHEAD RATES

- \* 1. APPLICATION. New and/or modified reimbursable agreements negotiated on or after November 1, 1991 shall provide for recovery of costs in accordance with the following rates:
- a. 17% if the agreement is to be signed by a Federal party.
  - b. 26% if the agreement is to be signed by a non-Federal party.
2. COMPUTATION OF OVERHEAD RATES.
- a. The 17% rate is based on guidance contained in OMB Circular A-25 and reflects the cost of a full-time equivalent (FTE) employee -- numerator -- in relation to the total personnel costs for that FTE -- denominator. For purposes of calculating the Federal overhead rate the cost of an FTE **excludes** unfunded civil service retirement system (CSRS) costs, and includes "[s]alaries, employee leave, travel expense, rent, cost of fee collection, postage, maintenance, operation and depreciation of buildings and equipment, and personnel costs other than direct salaries (e.g., retirement and employee insurance); . . ." (Circular A-25, section 5a(1)); it also reflects general overhead costs such as "[a] proportionate share of the agency's management and supervisory costs; . . ." (Circular A-25, section 5a(2)), training costs, workers compensation claims, and working capital requirements. Total personnel costs consist of object classes 11.1 and 11.3, other personnel costs described above, and training costs.
  - b. The 26% (non-Federal) rate includes the unfunded CSRS costs excluded from the computation of the 17% rate.
3. DISPOSITION OF OVERHEAD COLLECTIONS.
- a. Collections for Administrative Overhead (i.e., the 17% rate charged other Federal parties and 24% of the 26% rate charged non-Federal parties) are to be credited to the Operations appropriation. See Order 2700.3.
  - b. Collections for Non-Federal Overhead (i.e., 2% of the 26% rate charged non-Federal parties) are to be credited to miscellaneous receipts. \*
4. REVISION OF RATES. The Office of Budget is responsible for the annual validation or revision of the overhead rates. Any revisions to overhead rates will normally be made prior to the beginning of a fiscal year by issuance of a revised appendix 2 to this order.