

DEPARTMENT OF DEFENSE**GENERAL SERVICES
ADMINISTRATION****NATIONAL AERONAUTICS AND
SPACE ADMINISTRATION****48 CFR Part 31**

[FAR Case 2003-002]

RIN 9000-AJ81

**Federal Acquisition Regulation;
Reimbursement of Relocation Costs
on a Lump-Sum Basis**

AGENCIES: Department of Defense (DoD), General Services Administration (GSA), and National Aeronautics and Space Administration (NASA).

ACTION: Proposed rule.

SUMMARY: The Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council (Councils) are proposing to amend the Federal Acquisition Regulation (FAR) to revise the relocation cost principle to expand the use of reimbursement on a lump-sum basis to certain types of employee relocation costs.

EFFECTIVE DATES: Interested parties should submit comments in writing on or before February 9, 2004 to be considered in the formulation of a final rule.

ADDRESSES: Submit written comments to—General Services Administration, FAR Secretariat (MVA), 1800 F Street, NW., Room 4035, ATTN: Laurie Duarte, Washington, DC 20405.

Submit electronic comments via the Internet to—farcase.2003-002@gsa.gov.

Please submit comments only and cite FAR case 2003-002 in all correspondence related to this case.

FOR FURTHER INFORMATION CONTACT: The FAR Secretariat at (202) 501-4755 for information pertaining to status or publication schedules. For clarification of content, contact Mr. Edward Loeb, Policy Adviser, at (202) 501-0650. Please cite FAR case 2003-002.

SUPPLEMENTARY INFORMATION:**A. Background**

The relocation cost principle at FAR 31.205-35 permits the Government to reimburse contractors for certain types of relocation costs, with the exception of miscellaneous costs, up to the employee's actual expenses. For miscellaneous costs that are described at FAR 31.205-35(a)(5), the Government may reimburse the contractor a flat or lump-sum amount up to \$5,000, in lieu of actual costs. The cost principle has no ceiling for miscellaneous expenses

when reimbursement is based on actual expenses.

In order to help the Councils decide whether to expand the use of reimbursement on a lump-sum basis, DoD, GSA, and NASA published a notice requesting public comments in the **Federal Register** at 67 FR 65468, October 24, 2002, and invited interested parties to provide information to help assess the potential costs and benefits of the lump-sum reimbursement approach. Nine respondents submitted public comments. After reviewing the public comments that were submitted, the Councils decided to explore further the views of interested parties. Accordingly, DoD, GSA, and NASA published a notice of public meeting in the **Federal Register** at 68 FR 4054, January 27, 2003, and invited interested parties to attend a public meeting held on February 6, 2003, at the Department of the Interior, Washington, DC, to present their views on the subject. Representatives from an industry association, a travel and relocation management firm, and a defense contractor presented their views.

It is apparent from the public comments submitted and the discussions at the public meeting that, in addition to the miscellaneous relocation costs for which lump-sum reimbursements are already permitted by FAR 31.205-35(b)(4), it is now common commercial practice to reimburse relocating employees on a lump-sum basis for their house-hunting, final move, and temporary lodging expenses. Accordingly, the Councils are proposing to amend the relocation cost principle to permit contractors the option of being reimbursed on a lump-sum basis for three types of employee relocation costs, namely, (1) costs of finding a new home, (2) costs of travel to the new location, and (3) costs of temporary lodging. These three types of costs are in addition to the miscellaneous relocations costs for which lump-sum reimbursements are already permitted. While individual receipts are not required with a lump-sum approach, contractors would still have to demonstrate that amounts paid are reasonable and appropriate for the circumstances of each relocating employee.

The proposed rule is expected to reduce the accounting and administrative burden of the relocation cost principle on contractors and lead to faster relocations. Costs to the Government are not expected to increase significantly as a result of this revision.

This is not a significant regulatory action and, therefore, was not subject to

review under section 6(b) of Executive Order 12866, Regulatory Planning and Review, dated September 30, 1993. This rule is not a major rule under 5 U.S.C. 804.

B. Regulatory Flexibility Act

The Councils do not expect this proposed rule to have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act, 5 U.S.C. 601, *et seq.*, because most contracts awarded to small entities use simplified acquisition procedures or are awarded on a competitive, fixed-price basis, and do not require application of the cost principles and procedures discussed in this rule. An Initial Regulatory Flexibility Analysis has, therefore, not been performed. We invite comments from small businesses and other interested parties. The Councils will consider comments from small entities concerning the affected FAR Part 31 in accordance with 5 U.S.C. 610. Interested parties must submit such comments separately and should cite 5 U.S.C. 601, *et seq.* (FAR case 2003-002), in correspondence.

C. Paperwork Reduction Act

The Paperwork Reduction Act does not apply because the proposed changes to the FAR do not impose information collection requirements that require the approval of the Office of Management and Budget under 44 U.S.C. 3501, *et seq.*

List of Subjects in 48 CFR Part 31

Government procurement.

Dated: December 8, 2003.

Laura Auletta,

Director, Acquisition Policy Division.

Therefore, DoD, GSA, and NASA propose amending 48 CFR part 31 as set forth below:

**PART 31—CONTRACT COST
PRINCIPLES AND PROCEDURES**

1. The authority citation for 48 CFR part 31 is revised to read as follows:

Authority: 40 U.S.C. 121(c); 10 U.S.C. chapter 137; and 42 U.S.C. 2473(c).

2. Amend section 31.205-35 by revising paragraph (b)(4) to read as follows:

31.205-35 Relocation costs.

* * * * *

(b) * * *

(4) Amounts to be reimbursed shall not exceed the employee's actual expenses, except that reimbursement on an appropriate lump-sum basis to the individual employee may be allowed for any of the following relocation costs:

(i) Costs of finding a new home, as discussed in paragraph (a)(2) of this subsection.

(ii) Costs of travel to the new location, as discussed in paragraph (a)(1) of this

subsection (but not costs for the transportation of household goods).

(iii) Costs of temporary lodging, as discussed in paragraph (a)(2) of this subsection.

(iv) Miscellaneous costs of the type discussed in paragraph (a)(5) of this

subsection, not to exceed a maximum lump-sum amount of \$5,000.

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