

## OFFICE OF MANAGEMENT AND BUDGET

### Cost Principles for Educational Institutions

**AGENCY:** Office of Management and Budget.

**ACTION:** Proposed revision of OMB Circular A-21.

**SUMMARY:** The Office of Management and Budget (OMB) proposes to revise OMB Circular A-21, "Cost Principles for Educational Institutions" by extending the applicability of certain Cost Accounting Standards Board (CASB) Cost Accounting Standards (CAS) and the CASB Disclosure Statement for sponsored agreements received by certain educational institutions, and amending the definition of equipment at educational institutions receiving Federal funds and covered by this Circular.

**DATES:** Comments should be received on or before March 8, 1995.

**ADDRESSES:** Financial Standards and Reporting Branch, Office of Federal Financial Management, Office of Management and Budget, Room 6025, New Executive Office Building, Washington, DC 20503.

**FOR FURTHER INFORMATION CONTACT:** Federal agencies should contact the Financial Standards and Reporting Branch, Office of Management and Budget, (202) 395-3993. Non-Federal organizations should contact the organization's cognizant Federal funding agency.

#### SUPPLEMENTARY INFORMATION:

##### A. Purpose of Circular A-21

Office of Management and Budget (OMB) Circular A-21, "Cost Principles for Educational Institutions," establishes principles for determining costs applicable to Federal grants, contracts, and other sponsored agreements with educational institutions.

##### B. Recent Prior Revisions

Circular A-21 was last amended in 1991 and 1993. The 1991 revisions excluded certain specified costs from reimbursements paid to colleges and universities receiving Federal awards and placed a limit on the amount of reimbursable administrative costs. That revision also required a certification to accompany each indirect cost proposal. The 1991 revision also added an exhibit containing a list of colleges and universities subject to Section J.9.F of Circular A-21. The 1993 revisions further clarified and standardized the

Circular's principles for determining applicable costs.

##### C. Current revisions

The proposed revision incorporates the cost accounting standards for educational institutions published by the Cost Accounting Standards Board (CASB) on November 8, 1994, in the **Federal Register** (59 FR 55770), and extends the applicability of these standards to all sponsored agreements subject to this Circular (See Sections A.3 and B.2. of Circular A-21). This proposed revision also extends the applicability of the CASB Disclosure Statement (Form CASB DS-2 (REV 10/94)), published by the CASB on November 8, 1994, in the **Federal Register** (59 FR 55758), to such sponsored agreements. This proposed revision is reflected as Section C.10.a-e of Circular A-21.

By applying these CASB Standards and the CASB Disclosure Statement to sponsored agreements, OMB will: promote uniformity and consistency in the cost accounting practices followed by educational institutions when they estimate, accumulate, and report costs under sponsored agreements; facilitate the award and administration process; and, reduce the potential for disagreements concerning the cost accounting practices used to estimate, accumulate and report the costs of sponsored agreements.

On October 8, 1991, the CASB published a staff discussion paper (56 FR 50737). After consideration of the public comments received in response to the discussion paper, the CASB published an Advanced Notice of Proposed Rulemaking on June 2, 1992 (57 FR 23189). On December 21, 1992, after consideration of the public comments received in response to the advanced notice, the CASB published a Notice of Proposed Rulemaking (57 FR 60503). Seventy sets of public comments were received in response to the proposed rule and were fully considered. On November 8, 1994, the CASB published a Final Rule (59 FR 55746).

On July 26, 1993, OMB, in the preamble to a proposal making certain final revisions to Circular A-21 (58 FR 39997), stated that "Consistent with the Board's stated expectations, OMB plans to extend the CASB's regulations and Standards applicable to educational institutions to all awards (contracts and grants) made to institutions that are major recipients of Federal research funds." At this time, public comments are invited on applying to sponsored agreements the CASB's Disclosure Statement Form, CASB DS-2, and the

cost accounting standards (CAS) pertaining to educational institutions, contained in Chapter 99 of Title 48 of the Code of Federal Regulations (48 CFR Chapter 99), as amended, published on November 8, 1994 (59 FR 55746), effective January 9, 1995.

This proposed revision also amends the definition of equipment in Section J.16. by increasing the monetary threshold from \$500 to \$5000. This proposed revision conforms Circular A-21 to Circular A-110, "Uniform Administrative Requirements for Grants with Institutions of Higher Education, Hospitals, and Non-Profit Organizations," published in the **Federal Register** (58 FR 62992) on November 29, 1993, and lessens the administrative burden associated with accounting for property.

In today's edition of the **Federal Register**, OMB is also proposing for 60 days of public comment a set of proposed revisions to Circular A-21 on which separate public comment is especially invited.

**John B. Arthur,**

*Associate Director for Administration.*

Circular A-21 is proposed to be revised as follows:

Amend Section "C, Basic Considerations," by adding a new paragraph 10 as follows:

10. Cost Accounting Standards and Disclosure.

a. Applicability of Cost Accounting Standards Board's Disclosure Statement and Standards. The Cost Accounting Standards Board's (CASB) Disclosure Statement Form, CASB DS-2, and the cost accounting standards (CAS) pertaining to educational institutions contained in Chapter 99 of Title 48 of the Code of Federal Regulations (48 CFR Chapter 99), as amended, are incorporated herein by reference and are to be applied to sponsored agreements as specified below.

(1) *Disclosure Statement.*

(i) Educational institutions subject to this Circular shall disclose their cost accounting practices by filing a Disclosure Statement Form, CASB DS-2, which is reproduced in Appendix A, whenever the total awards received under sponsored agreements during the prior fiscal year equals or exceeds \$25 million. An educational institution may meet the Disclosure Statement submission requirement by submitting the statement for each component unit that receives awards that in the aggregate equal or exceed \$25 million under sponsored agreements, with the approval of the cognizant Federal agency responsible for indirect cost rate negotiations.