

ALASKA STATE COMPTROLLER  
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Proposed Addition to the Alaska  
Administration Code: Regarding Granting &  
Contracting Procedures with Alaskan  
Non-Profit Organizations

as prepared by the  
Non-Profit Financial  
Association  
December 5, 1980

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PROPOSED ADDITION TO THE ALASKA ADMINISTRATION CODE:  
REGARDING GRANTING & CONTRACTING PROCEDURES WITH ALASKAN  
NON-PROFIT ORGANIZATIONS.

(AS PREPARED BY THE NON-PROFIT FINANCIAL ASSOCIATION ON 12/5/80)

- .010 COVERAGE. Except for those programs for which alternative procedures are set forth by regulation and/or statute, the provisions of this chapter apply to all grants and contracts issued by the appropriate departments to nonprofit corporations who operate or desire to operate health and social services, education and similar grants and contracts on behalf of the State of Alaska.
- .020 DEVIATION. A state or federal regulation or statute addressing a particular program which deviates from the provisions of this chapter shall have precedence over the provisions of this chapter.
- .030 ELIGIBLE APPLICANTS. Application may be made under this chapter by a non-profit corporation incorporated in the State of Alaska or otherwise registered to do business within Alaska, the State of Alaska or a political subdivision of the State of Alaska and its agencies, or the University of Alaska. An applicant shall show proof of non-profit status by submitting with their application their certification of status from the Department of Administration.
- .040 LETTERS OF INTENT TO APPLY AND APPLICATIONS. Letters of intent to apply and applications for grants and contracts under this chapter must be on the appropriate standard forms as provided by the Department of Administration.
- .050 APPLICATION PROCEDURE. On a yearly basis, departments will publicly announce through Alaskan news media and in letters to other appropriate agencies the availability of Letter of Intent forms and grant application forms and the beginning of the

application process for grants and contracts under this chapter. The public announcement will specify whether an applicant shall submit a one-year or a two-year plan. A prospective applicant shall submit a completed Letter of Intent form to the appropriate granting agency. The granting/contracting agency will provide application forms and instructions to each organization which, before the deadline established for receipt of Letters of Intent, submits a Letter of Intent. In order to be considered for funding, an application must contain the complete information which the department requires on the application forms and must be submitted by the deadline set forth in section .060 of this chapter.

.060 APPLICATION DEADLINES. A letter of intent must be returned to the granting agency bearing a postmark or an airline receipt stamp of no later than the January 4 immediately preceding the period for which application for funds is made. An application must be returned to the granting/contracting agency bearing a postmark or an airline receipt stamp of no later than March 1 immediately preceding the period for which application for funds is made. A Letter of Intent or an application not returned to the appropriate granting agency postmarked or airline receipt stamped on or before the department's established application deadlines may be denied consideration for funding. An applicant denied funding due to late filing may appeal the decision under section .270 of this chapter.

.070 REVIEW OF LETTER OF INTENT AND OF APPLICATION.

(a) All letters of intent to apply will be forwarded by the department to the State Clearinghouse in the Office of the Governor for a State Clearinghouse Review and to the appropriate state advisory board for information purposes. The purpose of the Clearinghouse review is to enhance coordination of governmental funding and to eliminate conflict and duplication among projects at local, areawide, and state levels. The State Clearinghouse will distribute each Letter of Intent to other interested agencies and organizations, for the geographical area for which services

are proposed in the Letter of Intent. These agencies and organizations will have 24 days to comment, as allowed in a routine State Clearinghouse Review. Any comment received on a Letter of Intent by the State Clearinghouse will be forwarded to the department and to the applicant.

(b) The State Clearinghouse may, on its own behalf or on the behalf of interested agencies and organizations, request a copy of the complete application for review and comment; the request must be received by the department on or before the application submission deadline (March 1). The appropriate granting agency will submit the requested applications to the State Clearinghouse. Any comments resulting from such a review must be received by the department on or before May 10 immediately preceding the period for which the application for funds is made. For the purpose of information exchange, the appropriate granting agency will send a copy of every grant application face sheet to the State Clearinghouse regardless of whether the Clearinghouse received a complete application for review.

(c) The appropriate granting agency will conduct a review of each submitted application, based on established review criteria (see section .080 of this chapter), and will submit the application to the appropriate state advisory board for review and recommendation. The appropriate granting agency will submit to the commissioner the granting agency's recommendation and justification, the appropriate state advisory board's recommendation and justification, and any comments received from other agencies and organizations through the Clearinghouse review.

(d) The commissioner will make the final decision on award of grants no later than 15 days after the Governor signs into law the final state budget for the fiscal year for which applications have been made or upon availability of funds, whichever first occurs. In cases where the Governor has not signed into law the final state budget by July 1 of the fiscal year for which applications

have been made, provision for grant extensions of limited duration may be made at the discretion of the commissioner. The commissioner's award decisions will be based on due consideration of the recommendation of the granting agency, and all other advisory recommendations, established department review criteria, priorities in the various state plans, applicable categorical state plans, and the statutory requirements of state (and, where applicable, federal or local) law and regulations.

(e) The commissioner may, at his/her discretion, decide to award to a prospective grantee an amount which is more or less than the total funding requested. In this case the department will initiate negotiations to revise the prospective grantee's budget to reflect the proposed total award and to revise, if necessary, the program scope. These negotiations must be completed prior to the grant award. The granting agency will notify the chairperson of the appropriate state advisory board, if any, of the outcome of the negotiations.

(f) For department granting or contracting programs arising from federal funds, the appropriate state agency will review and approve or disapprove the applications of applicants competing for grants and contracts containing these federal funds, in accordance with the appropriate Public Law. The review will be conducted within the time frame established for such review in subsection (c).

(g) In the case in which the appropriate governing board disapproves an application covered under this section, if the commissioner wishes to use federal funds for a grant to the disapproved applicant, the commissioner must seek from the Governor a review of the agency decision. If the Governor conducts such a review, he/she will require the department's planning and development unit to comment on the governing board's decision. The Governor, after taking into consideration the department's planning and development units comments, if any, may,

at his/her discretion, make the federal funds of this section available for funding of the affected application, notwithstanding the disapproval of the governing board. Each such decision by the Governor to make funds available will be submitted to the appropriate governing board and the department's planning and development unit and will contain a detailed statement of the reasons for the decision. If the Governor decides to make federal funding available for grant award to the affected applicant, the commissioner will negotiate any necessary budget or program changes according to subsection (e) of this section and will notify the applicant of the grant award as specified in section .090 of this chapter.

.080 CRITERIA FOR APPLICATION REVIEW. In addition to any criteria established by statute or regulation for a particular granting agency, the following general criteria will be rated in the review of an application for funding recommendations to the commissioner.

- (1) justification of need for services, including the identification of target population and geographic area to be served;
- (2) previous experience in providing the same or similar services;
- (3) acceptance of the applicant organization by the community or communities in which it proposes to provide services;
- (4) appropriateness and measurability of program objectives;
- (5) feasibility of plan for providing services;
- (6) efforts to coordinate with other appropriate organizations;
- (7) reasonableness of budget;
- (8) compatibility of service proposal with the department's goals and objectives and planning documents;
- (9) a reasonable training plan providing adequate justification for needed training, if any;
- (10) a service evaluation strategy;

(11) status of audits and resolution of audit exceptions, if any, for applicants which have previously been awarded grant funds by the department;

(12) any other reasonable criteria applicable to a specific program or service.

.090 NOTIFICATION OF AWARD.

(a) When the commissioner has made the grant award decisions, each successful applicant will be sent a notice of intent to award a grant contingent upon negotiation of its budget and any concomitant program revisions, if necessary.

(b) Notification of Grant Award forms will be sent to each approved grantee after availability of funds has been determined and the grantee budget has been negotiated.

(c) The grantee must sign the Notice of Grant Award to indicate acceptance of the terms and conditions set forth in the signed application, the Grant Award form, and this chapter; this signed Notice of Grant Award will constitute a contract between the parties.

(d) The department will send a written notice to each successful and unsuccessful applicant within 15 days after the final decision has been made to approve, disapprove, defer or otherwise not to fund the application.

.100 EQUAL EMPLOYMENT OPPORTUNITY.

(a) The grantee may not discriminate against any employee or applicant for employment because of race, religion, color, national origin, or because of age, physical handicap, sex, or marital status, changes in marital status, pregnancy, or parenthood when the reasonable demands of the position do not require distinction on the basis of age, physical handicap, sex, or marital status, changes in marital status, pregnancy, or parenthood. The grantee shall take affirmative action to insure

that the applicants are employed and that employees are treated during employment without regard to their race, color, religion, national origin, ancestry, age, sex, or marital status. This action must include, but need not be limited to, the following: employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay, or other forms of compensation, and selection for training including apprenticeship. The grantee shall post for training including apprenticeship. The grantee shall post in conspicuous places, available to employees and applicants for employment, notices setting out the provisions of this subsection.

(b) The grantee shall state, in all solicitations of advertisements for employees to work on State of Alaska grant jobs, that it is an equal opportunity employer and that all qualified applicants will receive consideration for employment without regard to race, religion, color, national origin, age, physical handicap, sex, or marital status.

(c) The grantee shall send to each labor union or representative of workers with which the grantee has a collective bargaining agreement or other contract or understanding, a notice advising the labor union or workers' representative of the grantee's commitments to Equal Employment Opportunity and post copies of the notice in conspicuous places available to all employees and applicants for employment.

(d) The grantee shall include the provisions of this section in every contract, and shall require the inclusion of these provisions in every contract entered into by any of its subcontractors so that those provisions will be binding upon each subcontractor. For the purpose of including those provisions in any construction, maintenance, or service contract or subcontract, as required by this grant, "subgrantee" and "contractee" may be changed to reflect appropriately the name or designation of the parties of the subcontract or contract.

(e) The grantee shall cooperate fully with the Civil Rights Coordinator for the funding department, who seeks to deal with problems of unlawful discrimination and all other state efforts to guarantee fair employment practices under this grant and to comply with all requests and directions from the Office of Civil Rights, Region V and the State Commission on Human Rights or any of its officers or agents relating to prevention of discriminatory employment practices. Full cooperation includes but is not limited to, being witnesses in any proceeding involving questions of unlawful discrimination, if that is requested by any official or agency of the State of Alaska; permitting employees of the grantee to be witnesses or complainants in any proceeding involving questions of unlawful discrimination, if that is requested by any official or agency of the State of Alaska; participating in meetings; submitting periodic reports on the equal employment aspects of present and future employment; assisting in inspection of the grantee's facilities; and promptly complying with all state directives considered essential by any office or agency of the State of Alaska to insure compliance with all federal and state laws, regulations, and policies pertaining to the prevention of discriminatory employment practices.

(f) Failure to comply with Equal Employment Opportunity requirements constitutes a material breach of this grant.

.110 CIVIL RIGHTS OF CLIENTS.

(a) The grantee shall comply fully with Title VI of the Civil Rights Act of 1964 and Section 504 of the Rehabilitation Act of 1973, and the policy and procedure for implementation of Title VI and Section 504. The grantee shall make no distinction or discrimination against client, recipient, applicant, or beneficiary of the department's federally assisted programs on the basis of sex, race, color, national origin, or handicap. No client, recipient, applicant, or beneficiary of these federally assisted programs will be excluded from participation in, be denied the benefits of, or be otherwise subjected to

discrimination under any program or activity for which the department has responsibility.

(b) Distinction on the grounds of sex, race, color, national origin, or handicap includes:

(1) any type of segregation, separate or different treatment, or other discrimination on that ground;

(2) the imposition of any admission, enrollment, quota eligibility, or other requirement or condition which individuals must meet in order to be provided any service or other benefit under the program or to be afforded an opportunity to participate in the program, if the sex, race, color, national origin, or handicap of individuals is considered in determining whether they meet any such requirement or condition.

(c) The grantee shall comply with procedures furnished by the departments for processing of complaints alleging discrimination on the basis of sex, race, color, national origin, or handicap.

.120 DURATION. Grant funds will be committed for only one fiscal year. In some cases an applicant will be required to submit a two-year plan which specifies program goals and objectives, service strategies and a budget for a two-year period. The appropriate granting agency will specify in its announcement of request for grant applications whether an applicant should submit a one- or two-year plan with its application. If the applicant submitting a two-year plan is awarded a grant, the department will commit funds for the first year of the grant and will, at its discretion, approve the second year funding contingent upon legislative appropriation of funds and the grantee's satisfactory performance during the first grant year. A judgment of satisfactory performance will be based on the factors of compliance with grant terms and conditions, financial and administrative responsibility and satisfactory progress toward program goals and objectives. The department will notify the grantee of intent to continue or discontinue funding for the second grant year 90 days prior to the

beginning of that year. The official Notification of Award will be sent to the approved grantee after the availability of funds has been determined.

.130 COSTS. The categories shown in Appendix A & B are generally allowable categories of costs. Any other proposed costs must have prior approval from the department. Cost categories should follow the same guidelines as specified in the Federal Guide for Non-Profit Institutions FMC 74-4 or OMB circular A-122 (Appendix A & B).

.140 INDIRECT COSTS.

(a) The department will accept a federally negotiated indirect cost rate as an accurate reflection of the cost of the items included under such a rate.

(b) The allowable indirect cost rate must be the same as authorized in the federally approved indirect cost rate document.

(c) When a state grant would materially affect the federal indirect cost rate, the applicant shall notify the federal government at the time it makes application for the state grant and shall provide evidence to the granting agency that the federal indirect cost rate has been adjusted, if required, prior to the conclusion of the grant.

(d) For purposes of receiving grants-in-aid funds from the department, only the most current federally negotiated indirect cost rate in existence at the time the award is made will be accepted in the computation of the total grant award. That amount allocated for indirect costs in a grant award is considered part of the grant award and not an addition to it. Any increase or decrease in federally negotiated indirect cost rates made subsequent to the original award will be allowed and paid.

(e) The grant applicant desiring approval of indirect costs must have in his possession a federally approved negotiated indirect cost rate and include in his application a copy of the negotiated federal indirect cost agreement indicating the rate, period of applicability, and all pertinent backup documentation.

(f) The grant award agreement must include a provision wherein the grantee agrees to make available to the state and appropriate local government, if any, upon request, all federal audit data relative to indirect costs paid by the federal government.

(g) An applicant which does not have a federally negotiated indirect cost rate is not precluded from including allowable administrative costs in its application budget as direct costs. The applicant shall document the proposed costs in its budget justification narrative. Cost categories relating to indirect costs will meet the guidelines as defined in FMC 74-4 or OMB circular A-122. (Appendix A & B).

(h) (1) Certain Federal funds that are "passed through" the State (eg. CETA, DOE Weatherization, etc.) contain statutory limitations on the amount of indirect costs allowable under those funds. If the State deems that these services are valuable to Alaskan citizens and that the appropriate providers would be one or more of the non-profit corporations, it is in the State's interest to insure that the programs are administered in the same fashion as other programs entrusted to the non-profit; therefore, the State will provide the additional administrative funds necessary for the non-profit corporation(s) to accept the program(s).

.150 SUBCONTRACTING. The grantee may subcontract portions of the activities required by the grantee only when the following conditions are met:

(1) project funds are provided to another individual or organization to carry out the purposes for which the grant was made; and

(2) the original grantee organization retains administrative and financial responsibility over the activity and the funds; and

(3) prior departmental approval is obtained.

.160 PAYMENTS. Payments will be made by one of two systems, according to how the contract has been negotiated.

(1) ADVANCE PAYMENTS. Whereby a portion of the allotted funds are disbursed automatically to the grantee according to an approved schedule.

(2) LETTER OF CREDIT SYSTEM. Whereby grantee draws down a supply of monies according to agency requirements and guidelines of the State letter of credit system.

.170 REPORTING REQUIREMENTS. The grantee shall submit on specified forms, on dates established by the appropriate granting agency, reports pertaining to finance and program performance and any other reports required by the granting agency. Failure to submit reports in a timely manner may result in the withholding of payment to the grantee by the granting agency. Withholding of payment to the grantee is appealable under section .270 of this chapter. Financial reports shall be submitted on standard forms developed by the Department of Administration.

.180 GRANT-RELATED PROGRAM INCOME.

(a) Records of the receipt and disposition of grant-related income shall be maintained by the grantee in accord with section .210 of this chapter.

(b) With the exception of the grant-related income used as a permanent fund, all grant-related income generated in a given grant period must be expended within the grant period unless prior written approval is received from the granting agency. Grant-related income must not be used for costs which would be otherwise unallowable under the terms and conditions of the grant.

(c) If the terms and conditions of the grant do not specify disposition of grant-related income, the grantee shall obtain prior approval from the granting agency for the desired option.

(d) Procedures governing disposition of assets will be established by the department as set forth by section .240 of this chapter.

.190 AUDIT REQUIREMENTS.

(a) For state-initiated audits, any authorized state representative, or federal or local government representative in cases where the grant includes federal or local funds, will have access to any books, documents, papers, and records of a grantee (or subcontractor) when it is determined that access to this information is necessary for the purposes of program/fiscal audit. The State or Federal agency is required to give the grantee at least 30 days prior written notice of the scheduled audit. The state granting agency will make audit information available to the appropriate state advisory board, if any. The grantee organization shall respond to audit reports questioning allowability of costs within 90 days after receiving written notice, or such costs may be disallowed by the appropriate granting agency. The final determination must be made, in writing, within 90 days following the grantee organizations' audit response. A final decision by the granting agency to disallow grantee costs is appealable under section .270 of this chapter. Refunds to the state as a result of audit disallowances must be made in accordance with the department's fiscal procedures.

(b) An independent audit must be initiated by the grantee to ascertain effectiveness of financial management. The audit must be scheduled annually. (Costs of grantee-initiated audits are allowable as part of the approved grantee budget, as specified in section .140 and Appendix A & B of this chapter.)

(c) The grantee or any of its duly authorized representatives will have access to any books, documents, papers, and records of the subcontractor when it is determined that access to this information is necessary for purposes of fiscal audit, upon 30-day notification to grantee.

.200 MONITORING AND EVALUATION. The appropriate granting agency may, at its discretion, visit the work-site of the grantee or subcontractor to monitor and evaluate project performance and progress, upon reasonable notification to the grantee.

.210 RETENTION OF RECORDS. The grantee/subcontractor shall retain all grant/subcontract records for a period of three years with the following qualifications:

(1) Records must be retained beyond three years if an audit, has not been performed, is in progress or when audit findings, litigations or claims involving such records are pending.

(2) Records for non-expendable personal property acquired by the grantee/subcontractor must be retained for three years after the final disposition.

(3) The three year retention requirements do not apply to records transferred to or maintained by the department. The department may request transfer of grant records, at its own expense, to the custody of the department at any time during the three year retention period when it is determined that such records possess long-term retention value. The department will make arrangements with the grantee to retain records that are continually needed for joint access.

(4) The retention period for each year's records is from the date of submission of the annual or final financial status report or its equivalent.

.220 CHANGES IN APPROVED GRANTEE PROGRAM.

(a) A grantee proposing to alter the service plan of the program from the terms and conditions of the application and grant award must submit the proposed changes in writing to the appropriate

granting agency for prior approval. Within 30 days from the date of receipt of a request for approval, the granting agency will review and notify the grantee of its decision in writing.

(b) Requests for necessary changes to program beginning or completion dates shall be submitted to the appropriate granting agency in writing for approval, the granting agency will review the request and notify the grantee of its decision. Expenses incurred prior to the official beginning and/or beyond the official completion dates are not allowable unless specified in the grant award and authorized in writing by the appropriate granting agency.

(c) (1) The grantee is permitted to re-budget between budget categories within the total budget of the program to meet unanticipated expenditures necessary to the successful continuation or completion of the program, provided the purpose for such expenditures is allowable under the terms of the grant. Except as in subsection (2) below, prior approval must be obtained in writing from the appropriate granting agency on the re-budgeting of amounts which exceed 10% of each budget category. Re-budgeting between direct costs and indirect costs is allowable. When re-budgeting involves grant-related income, see section .180.

(2) In accordance with 45 CFR 74.105, any grantee awarded a department grant containing federal funds may re-budget its funds without prior approval as necessary to fulfill the purpose of the grant.

.230 ACCEPTABLE PURCHASING PRACTICES AND PROCEDURES.

(a) Each grantee must establish uniform and acceptable purchasing practices and procedures covering the procurement of goods and services. Within the purview of acceptable purchasing procedures the following conditions must apply:

(1) On all purchases of non-expendable property having an unit costs of \$500 or more, or a contract in like amount, three

competitive price quotations from potential suppliers are required. If competitive quotes are not obtainable, a sole source agreement must be approved by the granting agency within 15 days.

(2) Written records of price quotations shall be retained for three years under section .210 of this chapter and shall include:

- (A) specifications,
- (B) suppliers' names and addresses, and
- (C) the price(s) quoted.

(b) Grantees are authorized and encourage to purchase non-expendable office furniture, office supplies and other expendable commodities from State of Alaska Contract Award Vendors. Upon request, the department Supply Officer will furnish grantees with the names and addresses of approved Contract Award Vendors.

.240 PROPERTY MANAGEMENT.

(a) If the grantee is allowed to acquire an interest in real property with the grant funds, the grantee must negotiate property management terms with the appropriate granting agency. If the grantee organization wishes to purchase non-expendable personal property to facilitate the successful completion of the grant program, the cost of such property must be included in the total approved grantee budget or approved amendments thereto.

(b) Acquisition cost must include the cost of the unit of non-expendable personal property plus the cost of any necessary accessories. Ancillary charges such as duty, taxes, transportation, protective in-transit insurance, and installation fees shall be included in or excluded from such cost in accordance with the grantee's regular accounting practices.

(c) Title to non-expendable personal property shall vest in the grantee organization upon acquisition, subject to the condition that the appropriate granting agency shall have the right to

transfer title to such property to the state or to a designated third party so long as all of the following requirements are met:

(1) The property had a unit acquisition cost of \$500 or more.

(2) The granting agency right to transfer title to property acquired by the grantee was not waived at the time of award under the terms and conditions of the grant.

(3) Either the grantee no longer has need for the property in the program for which it was acquired, or the grant-supported program is being transferred to another grantee organization.

(4) The action to exercise this right may be taken at any time, but no later than 120 days following the completion or termination of the grant or the date of an appeal decision, if applicable, whichever is later. Action to exercise this right includes notification to the grantee of the intent to transfer, although the actual transfer of property need not necessarily be completed before the close of the above-specified 120-day period.

(d) Except when the appropriate granting agency has exercised the right to transfer title as provided in subsection (c) above, non-expendable personal property acquired under a grant must be treated as follows:

(1) The grantee shall retain such property in the grant program so long as property is needed to aid in the successful accomplishment of the grant program purpose(s). During the time that such property is held for use under the grant program for which it was acquired, the grantee shall make the property available for use on other state-sponsored activities so long as the grantee determines that this outside use does not interfere with the grant program. The grantee shall use the property in connection with other state-sponsored activities in the following order of priority:

(A) other department activities;

(B) other state agencies' activities.

(2) When the grantee no longer has need for such property in any of its state-assisted activities, the property may be used for

the grantee's own official activities with written approval by the grantor.

(3) If the grantee has no further need for non-expendable personal property purchased under the grant, disposition of such property shall be made as follows:

(A) If the property had an acquisition cost of \$500 or more per unit, the grantee shall request disposition instructions from the department through the appropriate granting agency.

(B) If the grantee is instructed to ship the property elsewhere, the grantee will be reimbursed by the state for any shipping costs incurred.

(e) The grantee shall maintain accurate property records as well as effective inventory, control, and maintenance procedures for non-expendable personal property:

(1) Property records for non-expendable personal property acquired under the grant must be retained for three years after the final disposition of the property or appropriate reimbursement of the state, under section .210 of this chapter. These records shall include, at least, the following information:

(A) a description of the property.

(B) the manufacturer's serial number or other identification number;

(C) the grant program under which the property was acquired;

(D) the acquisition date and cost of the property;

(E) the location, use and condition of the property, and the date such information was recorded; and

(2) A control system must be in effect to insure adequate safeguards to prevent loss, damage or theft of non-expendable personal property. Any loss, damage or theft must be investigated and fully documented.

.250 SUSPENSION AND TERMINATION.

(a) When a grantee has failed to comply with the terms and conditions of a grant, the department may, after 30 days written notice, suspend the grant. The department shall allow the payment of previously obligated necessary costs during the period of suspension, provided these costs are otherwise allowable. Suspension will remain in effect until the grantee has taken corrective action or give assurance of corrective action satisfactory to the department or until the department terminates the grant. Suspension is appealable to the department under section .270 of this chapter.

A grant may be terminated, in whole or in part, prior to the completion date by the department for the failure of the grantee to comply with the terms and conditions of the grant. The department will promptly notify the grantee in writing, stating the reasons for termination, the effective date (after 30 days from receipt of notice) and the portion to be terminated in the case of partial termination. Termination for cause is appealable under section .270 of this chapter.

(2) A grant may be terminated, in whole or in part, prior to the completion date by the department with the consent of the grantee, in which case both parties will agree upon termination conditions, including effective date and the portion to be terminated in the case of partial termination.

(3) A grant may be terminated, in whole or in part, prior to the completion date by the grantee, upon 30 day written notification to the department setting forth the reasons for termination, the effective date, and the portion to be terminated in the case of partial termination.

(c) In all cases of grant termination, payments to the grantee or recovery of state funds to the department shall be made in accordance with the legal rights and liabilities of both the grantee and the department. The grantee shall not incur new

obligations against a terminated grant or the terminated portion of a grant after the effective date of termination of the grant. The department shall allow full credit to the grantee for the state share of obligations properly incurred prior to termination.

.260 STATE SAVED HARMLESS. The grantee shall hold and save the state, its officers, agents, and employees, harmless from liability of any nature or kind, including costs and expenses, for or on account of any or all suits or damages of any character whatever resulting from injuries or damage sustained by a person or persons working under the grant or subcontract or receiving services under the grant or subcontract or damages sustained by property by virtue of any act or omission of the grantee not specifically directed by the state or its duly authorized agents.

.270 APPEALS PROCEDURES.

(a) An applicant or grantee dissatisfied with an adverse administrative action or decision involving deadlines for Letter of Intent or grant application, grant award, payment procedures, and/or grant suspension or termination may appeal that action or decision.

(b) The appellant shall submit, within 15 days of receipt of notification of department action, a written request to the commissioner for hearing.

(c) The appeal for hearing will be reviewed by the commissioner, and the aggrieved applicant or grantee will be advised within 15 days whether the appeal has been accepted or rejected and, if rejected, the reason(s) for that action.

(d) If the appeal for hearing is accepted, the commissioner will appoint a hearing officer, and a hearing will be scheduled as soon as practicable, but not later than 20 days after acceptance.

(e) All interested parties wishing to be heard at that hearing should submit a written brief of their statement to the hearing officer not later than 24 hours prior to the hour of the hearing.

(f) The hearing officer will submit a transcript of the hearing, all written testimony, and his/her written recommendation to the commissioner, who will render the final decision on the appeal.

.280 DEFINITIONS. Unless the context indicates otherwise, in this chapter:

(1) "department" means the state department administering the state or federal funds;

(2) "commissioner" means the commissioner of the department administering the state or federal funds;

(3) "non-profit corporation" means a corporation no part of the income or profit of which is distributable to its members, directors or officers;

(4) "appropriate granting program" or "granting program" means a program within the department for administration of funds for the type of services the applicant or grantee proposes to provide;

(5) "appropriate granting agency" or "granting agency" means the agency within the department which administers the appropriate granting program;

(6) "grant" means an award of financial or direct assistance to an eligible recipient under a program that provides for such assistance based on review and approval of an application, plan or other document(s) setting forth a proposed activity or program;

(7) "grantee" or "grantee organization" means the organization, agency or other legally accountable entity that receives a grant;

(8) "program period" or "grant period" means the time period of which the grantee has been awarded funds;

(9) "State Clearinghouse" means the office located in the Office of the Governor which oversees a process through which state agencies, local governments, areawide planning agencies, and

other interested reviewers make comment on projects that impact their area of expertise and jurisdiction;

(10) "final state budget" means the total budget for the government of the State of Alaska for a given fiscal year which has been approved by the state legislature and signed into law by the governor;

(11) "real property" means land, land improvements, structures and appurtenances thereto, excluding moveable machinery and equipment;

(12) "personal property" means property of any kind except real property;

(13) "non-expendable personal property" means an article of tangible personal property (generally equipment) that is complete in itself, is of a durable nature, and has an expected useful life of more than one year, and has a unit acquisition cost of \$500 or more; or intangible personal property such as patents, inventions and copyrights.

(14) "grant-related program income" means any income generated by grant-supported activities; such income includes but is not limited to proceeds from the sale of products or services such as laboratory tests or computer time, payments received from patients or third parties for services provided under a project, fees received for personal services performed in connection with and during the period of the grant-supported activity, proceeds from the sale of assets purchased with project funds, and royalties from copyrights or publications developed under a grant-supported project.

(15) "state advisory board or council" means an advisory board of persons appointed by the governor or commissioner to serve in an advisory capacity for a certain granting program.

(16) "true lease" means a lease which does not meet any one of the following four criteria:

(A) ownership is transferred to the lessee (in the lease) by the end of the lease term;

(B) a bargain price option to buy the property is in the lease;

(C) the lease term is 75 percent or more of the estimated economic life of the property; and

(D) the present value of the rentals is 90 percent or more of the fair market value of the leased property (minus investment tax credit if retained by the lessor); the valuation date for this purpose is the date of the lease agreement or commitment, if earlier.

(17) "approval" means written agreement or permission to proceed, signed by an authorized official of the granting agency, in response to a written request from the grantee or applicant for approval of a proposed grantee or applicant action.

(18) "General Government contract" means the employment contract negotiated by the State of Alaska with its employees in the General Government Unit represented by the Alaska Public Employees Association.

**PART 255—COST PRINCIPLES APPLICABLE TO GRANTS AND CONTRACTS WITH STATE AND LOCAL GOVERNMENTS**

- Sec.
- 255.1 Purpose.
- 255.2 Supersession.
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- 255.4 Applicability and scope.
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Appendix A—Principles for determining costs applicable to grants and contracts with state and local governments.

Appendix B—Standards for selected items of cost.

**AUTHORITY:** Executive Order 11717 (78 FR 12315, May 11, 1973).

**SOURCE:** 39 FR 27133, July 25, 1974, unless otherwise noted.

**§ 255.1 Purpose.**

This part establishes principles and standards for determining costs applicable to grants and contracts with State and local governments.

**§ 255.2 Supersession.**

The President by Executive Order 11717 transferred the functions covered by this part from the Office of Management and Budget to the General Services Administration. This part is therefore issued as a replacement for previous Office of Management and Budget Circular No. A-87. No substantive changes have been made.

**§ 255.3 Policy intent.**

This part provides principles for determining the allowable costs of programs administered by State and local governments under grants from and contracts with the Federal Government. They are designed to provide the basis for a uniform approach to the problem of determining costs and to promote efficiency and better relationships between grantees and the Federal Government. The principles are for determining costs only and are not intended to identify the circumstances nor to dictate the extent of Federal and State or local participation in the financing of a particular project. They are designed to provide that federally assisted programs bear their fair share of costs recognized under these principles except where restricted or prohibited by law. No provision for profit or other increment above cost is intended.

**§ 255.4 Applicability and scope.**

(a) The provisions of this part apply to all Federal agencies responsible for administering programs that involve grants and contracts with State and local governments.

(b) Its provisions do not apply to grants and contracts with:

- (1) Publicly financed educational institutions subject to the provisions of Part 254; and
- (2) Publicly owned hospitals and other providers of medical care subject to re-

quirements promulgated by the sponsoring Federal agencies.

Any other exceptions will be approved by the General Services Administration in particular cases where adequate justification is presented.

**§ 255.5 Appendixes.**

The principles and related policy guides are set forth in the appendixes, which are:

Appendix A—Principles for determining costs applicable to grants and contracts with State and local governments.

Appendix B—Standards for selected items of cost.

**§ 255.6 Inquiries.**

Further information concerning this part may be obtained by contacting:

General Services Administration (AMF)  
Washington, DC 20405  
Telephone: IDS 183-7747, FTS 202-343-7747

**APPENDIX A**

**PRINCIPLES FOR DETERMINING COSTS APPLICABLE TO GRANTS AND CONTRACTS WITH STATE AND LOCAL GOVERNMENTS**

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**A. Purpose and scope.** 1. *Objectives.* This appendix sets forth principles for determining the allowable costs of programs administered by State and local governments under grants from and contracts with the Federal Government. The principles are for the purpose of cost determination and are not intended to identify the circumstances or dictate the extent of Federal and State or local participation in the financing of a particular grant. They are designed to provide that federally assisted programs bear their fair share of costs recognized under these principles, except where restricted or prohibited by law. No provision for profit or other increment above cost is intended.

2. *Policy guides.* The application of these principles is based on the fundamental premises that: a. State and local governments are responsible for the efficient and effective administration of grant and contract programs through the application of sound management practices.

b. The grantee or contractor assumes the responsibility for seeing that federally assisted program funds have been expended and accounted for consistent with underlying agreements and program objectives.

c. Each grantee or contractor organization, in recognition of its own unique combination of staff facilities and experience, will have the primary responsibility for employing whatever form of organization and management techniques may be necessary to assure proper and efficient administration.

3. *Application.* These principles will be applied by all Federal agencies in determining costs incurred by State and local governments under Federal grants and cost reimbursement type contracts (including subgrants and subcontracts) except those with (a) publicly financed educational institutions subject to the provisions of Part 254, and (b) publicly owned hospitals and other providers of medical care subject to requirements promulgated by the sponsoring Federal agencies.

**B. Definitions.** 1. *Approval or authorization of the grantor Federal agency* means documentation evidencing consent prior to incurring specific cost.

2. *Cost allocation plan* means the documentation identifying, accumulating, and distributing allowable costs under grants and contracts together with the allocation methods used.

3. *Cost*, as used herein, means cost as determined on a cash, accrual, or other basis acceptable to the Federal grantor agency as a discharge of the grantee's accountability for Federal funds.

4. *Cost objective* means a pool, center, or area established for the accumulation of cost. Such areas include organizational units, functions, objects or items of expense, as well as ultimate cost objectives including specific grants, projects, contracts, and other activities.

5. *Federal agency* means any department, agency, commission, or instrumentality in the executive branch of the Federal Government which makes grants to or contracts with State or local governments.

6. *Grant* means an agreement between the Federal Government and a State or local government whereby the Federal Government provides funds or aid to kind to carry out specified programs, services, or activities. The principles and policies stated in this part are applicable to grants in general also apply to any federally sponsored cost reimbursement type of agreement performed by a State or local government, including contracts, subcontracts and subgrants.

7. *Grant program* means those activities and operations of the grantee which are necessary to carry out the purposes of the grant, including any portion of the program financed by the grantee.

8. *Grantee* means the department or agency of State or local government which is responsible for administration of the grant.

9. *Local unit* means any political subdivision of government below the State level.

10. *Other State or local agencies* means departments or agencies of the State or local unit which provide goods, facilities, and services to a grantee.

11. *Services*, as used herein, means goods and facilities, as well as services.

12. *Supporting services* means auxiliary functions necessary to sustain the direct effort involved in administering a grant program or an activity providing services to the grant program. These services may be centralized in the grantee department, or in some other agency, and include procurement, payroll, personnel functions, maintenance and operation of space, data processing, accounting, budgeting, auditing, mail and messenger services and the like.

C. *Basic guidelines. 1. Factors affecting allowability of costs.* To be allowable under a grant program, costs must meet the following general criteria:

a. Be necessary and reasonable for proper and efficient administration of the grant program, be allocable thereto under these principles, and, except as specifically provided herein, not be a general expense required to carry out the overall responsibilities of State or local governments.

b. Be authorized or not prohibited under State or local laws or regulations.

c. Conform to any limitations or exclusions set forth in these principles, Federal laws, or other governing regulations as to types or amounts of cost items.

d. Be consistent with policies, regulations, and procedures that apply uniformly to both federally assisted and other activities of the unit of government of which the grantee is a part.

e. Be accorded consistent treatment through application of generally accepted accounting principles appropriate to the circumstances.

f. Not be allocable to or included as a cost of any other federally financed program in either the current or a prior period.

g. Be net of all applicable credits.

2. *Allocable costs.* a. A cost is allocable to a particular cost objective to the extent of benefits received by such objective.

b. Any cost allocable to a particular grant or cost objective under the principles provided for in this part may not be shifted to other Federal grant programs to overcome fund deficiencies, avoid restrictions imposed by law or grant agreements, or for other reasons.

c. Where an allocation of joint cost will ultimately result in charges to a grant program, an allocation plan will be required as prescribed in section J.

3. *Applicable credits.* a. Applicable credits refer to those receipts or reduction of expenditure-type transactions which offset or reduce expense items allocable to grants as direct or indirect costs. Examples of such transactions are: purchase discounts; rebates or allowances; recoveries or indemnities on losses; sale of publications, equipment, and scrap; income from personal or incidental services; and adjustments of overpayments or erroneous charges.

b. Applicable credits may also arise when Federal funds are received or are available from sources other than the grant program involved to finance operations or capital

items of the grantee. This includes costs arising from the use or depreciation of items donated or financed by the Federal Government to fulfill matching requirements under another grant program. These types of credits should likewise be used to reduce related expenditures in determining the rates or amounts applicable to a given grant.

D. *Composition of cost.* 1. *Total cost.* The total cost of a grant program is comprised of the allowable direct cost incident to its performance, plus its allocable portion of allowable indirect costs, less applicable credits.

2. *Classification of costs.* There is no universal rule for classifying certain costs as either direct or indirect under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the grant or other ultimate cost objective. It is essential therefore that each item of cost be treated consistently either as a direct or an indirect cost. Specific guides for determining direct and indirect costs allocable under grant programs are provided in the sections which follow.

E. *Direct costs.* 1. *General.* Direct costs are those that can be identified specifically with a particular cost objective. These costs may be charged directly to grants, contracts, or to other programs against which costs are finally lodged. Direct costs may also be charged to cost objectives used for the accumulation of costs pending distribution in due course to grants and other ultimate cost objectives.

2. *Application.* Typical direct costs chargeable to grant programs are: a. Compensation of employees for the time and effort devoted specifically to the execution of grant programs.

b. Cost of materials required, consumed, or expended specifically for the purpose of the grant.

c. Equipment and other approved capital expenditures.

d. Other items of expense incurred specifically to carry out the grant agreement.

e. Services furnished specifically for the grant program by other agencies, provided such charges are consistent with criteria outlined in Section G of these principles.

F. *Indirect costs.* 1. *General.* Indirect costs are those (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. The term "indirect costs," as used herein, applies to costs of this type originating in the grantee department, as well as those incurred by other departments in supplying goods, services, and facilities to the grantee department. To facilitate equitable distribution of indirect expenses to the cost objectives: a. It may be necessary to establish a number of pools of indirect cost within a grantee department or in other agencies providing services to a grantee department. Indirect cost pools should be distributed to benefiting cost objectives on bases which will produce an equitable result in consideration of relative benefits derived.

2. *Grantee departmental indirect costs.* All grantee departmental indirect costs, including the various levels of supervision, are eligible for allocation to grant programs provided they meet the conditions set forth in this part. In lieu of determining the actual amount of grantee departmental indirect cost allocable to a grant program, the following methods may be used:

a. *Pre-determined fixed rates for indirect costs.* A pre-determined fixed rate for computing indirect costs applicable to a grant

may be negotiated annually in situations where the cost experience and other pertinent facts available are deemed sufficient to enable the contracting parties to reach an informed judgment (1) as to the probable level of indirect costs in the grantee department during the period to be covered by the negotiated rate, and (2) that the amount allowable under the predetermined rate would not exceed actual indirect cost.

b. *Negotiated lump sum for overhead.* A negotiated fixed amount in lieu of indirect costs may be appropriate under circumstances where the benefits derived from a grantee department's indirect services cannot be readily determined as in the case of small, self-contained or isolated activity. When this method is used, a determination should be made that the amount negotiated will be approximately the same as the actual indirect cost that may be incurred. Such amounts negotiated in lieu of indirect costs will be treated as an offset to total indirect expenses of the grantee department before allocation to remaining activities. The base on which such remaining expenses are allocated should be appropriately adjusted.

3. *Limitation on indirect costs.* a. Federal grants may be subject to laws that limit the amount of indirect cost that may be allowed. Agencies that sponsor grants of this type will establish procedures which will assure that the amount actually allowed for indirect costs under each such grant does not exceed the maximum allowable under the statutory limitation or the amount otherwise allowable under this part, whichever is the smaller.

b. When the amount allowable under a statutory limitation is less than the amount otherwise allocable as indirect costs under this part, the amount not recoverable as indirect costs under a grant may not be shifted to another federally sponsored grant program or contract.

G. *Cost incurred by agencies other than the grantee.* 1. *General.* The cost of service provided by other agencies may only include allowable direct costs of the service plus a prorata share of allowable supporting costs (section B 12) and supervision directly required in performing the service, but not supervision of a general nature such as that provided by the head of a department and his staff assistants not directly involved in operations. However, supervision by the head of a department or agency whose sole function is providing the service furnished would be an eligible cost. Supporting costs include those furnished by other units of the supplying department or by other agencies.

2. *Alternative methods of determining indirect cost.* In lieu of determining actual indirect cost related to a particular service furnished by another agency, either of the following alternative methods may be used provided only one method is used for a specific service during the fiscal year involved:

a. *Standard indirect rate.* An amount equal to ten percent of direct labor cost in providing the service performed by another State agency (excluding overtime, shift, or holiday premiums and fringe benefits) may be allowed in lieu of actual allowable indirect cost for that service.

b. *Pre-determined fixed rate.* A pre-determined fixed rate for indirect cost of the unit or activity providing service may be negotiated as set forth in section E a.

H. *Cost incurred by one department for others.* 1. *General.* The principles provided in section G will also be used in determining the cost of services provided by the grantee department to another agency.

2. *Cost allocation plan.* 1. *General.* A plan for allocation of costs will be required to support the distribution of any joint costs re-

lated to the grant program. All costs included in the plan will be supported by formal accounting records which will substantiate the propriety of eventual charges.

2. **Requirements.** The allocation plan of the grantee department should cover all joint costs of the department as well as costs to be allocated under plans of other agencies or organizational units which are to be included in the costs of federally sponsored programs. The cost allocation plans of all the agencies rendering services to the grantee department, to the extent feasible, should be presented in a single document. The allocation plan should contain, but not necessarily be limited to, the following:

a. The nature and extent of services provided and their relevance to the federally sponsored programs.

b. The items of expense to be included.

c. The methods to be used in distributing cost.

3. **Instructions for preparation of cost allocation plans.** The Department of Health, Education and Welfare, in consultation with the other Federal agencies concerned, will be responsible for developing and issuing the instructions for use by State and local government grantees in preparation of cost allocation plans. This responsibility applies to both central support services at the State and local government level and indirect cost proposals of individual grantee departments.

4. **Negotiation and approval of indirect cost proposals for States.** a. The Department of Health, Education, and Welfare, in collaboration with the other Federal agencies concerned, will be responsible for negotiation, approval, and audit of cost allocation plans, which will be submitted to it by the States. These plans will cover central support service costs of the State.

b. At the grantee department level in a State, a single Federal agency will have responsibility similar to that set forth in a., above, for the negotiation, approval, and audit of the indirect cost proposal. Cognizant Federal agencies have been designated for this purpose. Changes which may be required from time to time in agency assignments will be arranged by the Department of Health, Education, and Welfare in collaboration with the other interested agencies, and submitted to the General Services Administration for final approval. A current list of agency assignments will be maintained by the Department of Health, Education, and Welfare.

c. Questions concerning the cost allocation plans approved under a. and b., above, should be directed to the agency responsible for such approvals.

5. **Negotiation and approval of indirect cost proposals for local governments.** a. Cost allocation plans will be retained at the local government level for audit by a designated Federal agency except in those cases where that agency requests that cost allocation plans be submitted to it for negotiation and approval.

b. A list of cognizant Federal agencies assigned responsibility for negotiation, approval and audit of central support service cost allocation plans at the local government level is being developed. Changes which may be required from time to time in agency assignments will be arranged by the Department of Health, Education, and Welfare in collaboration with the other interested agencies, and submitted to the General Services Administration for final approval. A current list of agency assignments will be maintained by the Department of Health, Education, and Welfare.

c. At the grantee department level of local governments, the Federal agency with the predominant interest in the work of the grantee department will be responsible for necessary negotiation, approval and audit of the indirect cost proposal.

6. **Resolution of problems.** To the extent that problems are encountered among the Federal agencies in connection with 4. and 5. above, the General Services Administration will lend assistance as required.

#### APPENDIX B

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A. **Purpose and applicability.** 1. **Objective.** This appendix provides standards for determining the allowability of selected items of cost.

2. **Application.** These standards will apply irrespective of whether a particular item of cost is treated as direct or indirect cost. Failure to mention a particular item of cost in the standards is not intended to imply that it is either allowable or unallowable, rather determination of allowability in each case should be based on the treatment of

standards provided for similar or related items of cost. The allowability of the selected items of cost is subject to the general policies and principles stated in appendix A of this part.

B. **Allowable costs.** 1. **Accounting.** The cost of establishing and maintaining accounting and other information systems required for the management of grant programs is allowable. This includes cost incurred by central service agencies for these purposes. The cost of maintaining central accounting records required for overall State or local government purposes, such as appropriation and fund accounts by the Treasurer, Comptroller, or similar officials, is considered to be a general expense of government and is not allowable.

2. **Advertising.** Advertising media includes newspapers, magazines, radio and television programs, direct mail, trade papers, and the like. The advertising costs allowable are those which are solely for:

a. Recruitment of personnel required for the grant program.

b. Solicitation of bids for the procurement of goods and services required.

c. Disposal of scrap or surplus materials acquired in the performance of the grant agreement.

d. Other purposes specifically provided for in the grant agreement.

3. **Advisory councils.** Costs incurred by State advisory councils or committees established pursuant to Federal requirements to carry out grant programs are allowable. The cost of like organizations is allowable when provided for in the grant agreement.

4. **Audit service.** The cost of audits necessary for the administration and management of functions related to grant programs is allowable.

5. **Bonding.** Costs of premiums on bonds covering employees who handle grantee agency funds are allowable.

6. **Budgeting.** Costs incurred for the development, preparation, presentation, and execution of budgets are allowable. Costs for services of a central budget office are generally not allowable since these are costs of general government. However, where employees of the central budget office actively participate in the grantee agency's budget process, the cost of identifiable services is allowable.

7. **Building lease management.** The administrative cost for lease management which includes review of lease proposals, maintenance of a list of available property for lease, and related activities is allowable.

8. **Central stores.** The cost of maintaining and operating a central stores organization for supplies, equipment, and materials used either directly or indirectly for grant programs is allowable.

9. **Communications.** Communication costs incurred for telephone calls or service, telegraph, teletype service, wide area telephone service (WATS), centrex, telpak (46 lines), postage, messenger service and similar expenses are allowable.

10. **Compensation for personal services.**

a. **General.** Compensation for personal services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under the grant agreement, including but not necessarily limited to wages, salaries and supplementary compensation and benefits (section B.13.). The costs of such compensation are allowable to the extent that total compensation for individual employees: (1) is reasonable for the services rendered, (2) follows an appointment made in accordance with State or local government laws and rules, and which meets Federal merit system or other requirements, where applicable; and (3) is determined

and supported as provided in b. below. Compensation for employees engaged in federally assisted activities will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the State or local government. In cases where the kinds of employees required for the federally assisted activities are not found in the other activities of the State or local government, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the employing government competes for the kind of employees involved. Compensation surveys providing data representative of the labor market involved will be an acceptable basis for evaluating reasonableness.

**b. Payroll and distribution of time.** Amounts charged to grant programs for personal services, regardless of whether treated as direct or indirect costs, will be based on payrolls documented and approved in accordance with generally accepted practice of the State or local agency. Payrolls must be supported by time and attendance or equivalent records for individual employees. Salaries and wages of employees chargeable to more than one grant program or other cost objective will be supported by appropriate time distribution records. The method used should produce an equitable distribution of time and effort.

**11. Depreciation and use allowances**  
**a. Grantees may be compensated for the use of buildings, capital improvements, and equipment through use allowances or depreciation. Use allowances are the means of providing compensation in lieu of depreciation or other equivalent costs. However, a combination of the two methods may not be used in connection with a single class of fixed assets.**

**b. The computation of depreciation or use allowance will be based on acquisition cost. Where actual cost records have not been maintained, a reasonable estimate of the original acquisition cost may be used in the computation. The computation will exclude the cost or any portion of the cost of buildings and equipment donated or borne directly or indirectly by the Federal Government through charges to Federal grant programs or otherwise, irrespective of where title was originally vested or where it presently resides. In addition, the computation will also exclude the cost of land. Depreciation or a use allowance on idle or excess facilities is not allowable, except when specifically authorized by the grantor Federal agency.**

**c. Where the depreciation method is followed, adequate property records must be maintained, and any generally accepted method of computing depreciation may be used. However, the method of computing depreciation must be consistently applied for any specific asset or class of assets for all affected federally sponsored programs and must result in equitable charges considering the extent of the use of the assets for the benefit of such programs.**

**d. In lieu of depreciation, a use allowance for buildings and improvements may be computed at an annual rate not exceeding two percent of acquisition cost. The use allowance for equipment (excluding items properly capitalized as building cost) will be computed at an annual rate not exceeding six and two-thirds percent of acquisition cost of usable equipment.**

**e. No depreciation or use charge may be allowed on any assets that would be considered as fully depreciated, provided, however, that reasonable use charges may be negotiated for any such assets if warranted after taking into consideration the cost of**

the facility or item involved, the estimated useful life remaining at time of negotiation, the effect of any increased maintenance charges or decreased efficiency due to age, and any other factors pertinent to the utilization of the facility or item for the purpose contemplated.

**12. Disbursing service.** The cost of disbursing grant program funds by the Treasurer or other designated officer is allowable. Disbursing services cover the processing of checks or warrants, from preparation to redemption, including the necessary records of accountability and reconciliation of such records with related cash accounts.

**13. Employee fringe benefits.** Costs identified under a. and b. below are allowable to the extent that total compensation for employees is reasonable as defined in Section B.10.

**a. Employee benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, court leave, military leave, and the like, if they are:** (1) Provided pursuant to an approved leave system, and (2) the cost thereof is equitably allocated to all related activities, including grant programs.

**b. Employee benefits in the form of employees' contribution or expenses for social security, employees' life and health insurance plans, unemployment insurance coverage, workmen's compensation insurance, pension plans, severance pay, and the like, provided such benefits are granted under approved plans and are distributed equitably to grant programs and to other activities.**

**14. Employee morale, health and welfare costs.** The costs of health or first-aid clinics and/or infirmaries, recreational facilities employees' counseling services, employee information publications, and any related expenses incurred in accordance with general State or local policy, are allowable. Income generated from any of these activities will be offset against expenses.

**15. Exhibits.** Costs of exhibits relating specifically to the grant programs are allowable.

**16. Legal expenses.** The cost of legal expenses required in the administration of grant programs is allowable. Legal services furnished by the chief legal officer of a State or local government or his staff solely for the purpose of discharging his general responsibilities as legal officer are unallowable. Legal expenses for the prosecution of claims against the Federal Government are unallowable.

**17. Maintenance and repair.** Costs incurred for necessary maintenance, repair, or upkeep of property which neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition, are allowable.

**18. Materials and supplies.** The cost of materials and supplies necessary to carry out the grant programs is allowable. Purchases made specifically for the grant program should be charged thereto at their actual prices after deducting all cash discounts, trade discounts, rebates, and allowances received by the grantee. Withdrawals from general stores or stockrooms should be charged at cost under any recognized method of pricing consistently applied. Incoming transportation charges are a proper part of material cost.

**19. Memberships, subscriptions and professional activities. a. Memberships.** The cost of membership in civic, business, technical and professional organizations is allowable provided: (1) The benefit from the membership is related to the grant program, (2) The expenditure is for agency member-

ship, (3) the cost of the membership is reasonably related to the value of the services or benefits received, and (4) the expenditure is not for membership in an organization which devotes a substantial part of its activities to influencing legislation.

**b. Reference material.** The cost of books, and subscriptions to civic, business, professional, and technical periodicals is allowable when related to the grant program.

**c. Meetings and conferences.** Costs are allowable when the primary purpose of the meeting is the dissemination of technical information relating to the grant program and they are consistent with regular practices followed for other activities of the grantee.

**20. Motor pools.** The costs of a service organization which provides automobiles to user grantee agencies at a mileage or fixed rate and/or provides vehicle maintenance, inspection and repair services are allowable.

**21. Payroll preparation.** The cost of preparing payrolls and maintaining necessary related wage records is allowable.

**22. Personnel administration.** Costs for the recruitment, examination, certification, classification, training, establishment of pay standards, and related activities for grant programs, are allowable.

**23. Printing and reproduction.** Cost for printing and reproduction services necessary for grant administration, including but not limited to forms, reports, manuals, and informational literature, are allowable. Publication costs of reports or other media relating to grant program accomplishments or results are allowable when provided for in the grant agreement.

**24. Procurement service.** The cost of procurement services, including solicitation of bids, preparation and award of contracts, and all phases of contract administration in providing goods, facilities and services for grant programs, is allowable.

**25. Taxes.** In general, taxes or payments in lieu of taxes which the grantee agency is legally required to pay are allowable.

**26. Training and education.** The cost of on-service training, customarily provided for employee development which directly or indirectly benefits grant programs is allowable. Out-of-service training involving extended periods of time is allowable only when specifically authorized by the grantor agency.

**27. Transportation.** Costs incurred for freight, cartage, express, postage and other transportation costs relating either to goods purchased, delivered, or moved from one location to another are allowable.

**\* 28. Travel.** Travel costs are allowable for expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business incident to a grant program. Such costs may be charged on an actual basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip, and results in charges consistent with those normally allowed in like circumstances in nonfederally sponsored activities. The difference in cost between first-class air accommodations and less-than-first-class air accommodations is unallowable except when less-than-first-class air accommodations are not reasonably available.

**C. Costs allowable with approval of grantor agency. 1. Automatic data processing.** The cost of data processing services to grant programs is allowable. This cost may include rental of equipment or depreciation on grantee-owned equipment. The acquisition of equipment, whether by outright purchase, rental-purchase agreement or other method of purchase, is allowable only upon specific

prior approval of the grantor Federal agency as provided under the selected item for capital expenditures.

2. *Building space and related facilities.* The cost of space in privately or publicly owned buildings used for the benefit of the grant program is allowable subject to the conditions stated below. The total cost of space, whether in a privately or publicly owned building, may not exceed the rental cost of comparable space and facilities in a privately owned building in the same locality. The cost of space procured for grant program usage may not be charged to the program for periods of nonoccupancy, without authorization of the grantor Federal agency.

a. *Rental cost.* The rental cost of space in a privately owned building is allowable.

b. *Maintenance and operation.* The cost of utilities, insurance, security, janitorial services, elevator service, upkeep of grounds, normal repairs and alterations and the like, are allowable to the extent they are not otherwise included in rental or other charges for space.

c. *Rearrangements and alterations.* Cost incurred for rearrangement and alteration of facilities required specifically for the grant program or those that materially increase the value or useful life of the facilities (section C.3) are allowable when specifically approved by the grantor agency.

d. *Depreciation and use allowances on publicly owned buildings.* These costs are allowable as provided in section B.11.

e. *Occupancy of space under rent-a-purchase or a lease with option-to-purchase agreement.* The cost of space procured under such arrangements is allowable when specifically approved by the Federal grantor agency.

3. *Capital expenditures.* The cost of facilities, equipment, other capital assets, and repairs which materially increase the value or useful life of capital assets is allowable when such procurement is specifically approved by the Federal grantor agency. When assets acquired with Federal grant funds are (a) sold, (b) no longer available for use in a federally sponsored program, or (c) used for purposes not authorized by the grantor agency, the Federal grantor agency's equity in the asset will be refunded in the same proportion as Federal participation in its cost. In case any assets are traded on new items, only the net cost of the newly acquired assets is allowable.

4. *Insurance and indemnification.* a. Costs of insurance required, or approved and maintained pursuant to the grant agreement, is allowable.

b. Costs of other insurance in connection with the general conduct of activities is allowable subject to the following limitations:

(1) Types and extent and cost of coverage will be in accordance with general State or local government policy and sound business practice.

(2) Costs of insurance or of contributions to any reserve covering the risk of loss of, or damage to, Federal Government property is unallowable except to the extent that the grantor agency has specifically required or approved such costs.

c. Contributions to a reserve for a self-insurance program approved by the Federal grantor agency are allowable to the extent that the type of coverage, extent of coverage, and the rates and premiums would have been allowed had insurance been purchased to cover the risks.

d. Actual losses which could have been covered by permissible insurance (through an approved self-insurance program or otherwise) are unallowable unless expressly provided for in the grant agreement. However, costs incurred because of losses not covered under nominal deductible insurance cover-

age provided in keeping with sound management practice, and minor losses not covered by insurance, such as spillage, breakage and disappearance of small hand tools which occur in the ordinary course of operations, are allowable.

e. *Indemnification* includes securing the grantee against liabilities to third persons and other losses not compensated by insurance or otherwise. The Government is obligated to indemnify the grantee only to the extent expressly provided for in the grant agreement, except as provided in d. above.

5. *Management studies.* The cost of management studies to improve the effectiveness and efficiency of grant management for ongoing programs is allowable except that the cost of studies performed by agencies other than the grantee department or outside consultants is allowable only when authorized by the Federal grantor agency.

6. *Prepayment costs.* Costs incurred prior to the effective date of the grant or contract, whether or not they would have been allowable thereunder if incurred after such date, are allowable when specifically provided for in the grant agreement.

7. *Professional services.* Cost of professional services rendered by individuals or organizations not a part of the grantee department is allowable subject to such prior authorization as may be required by the Federal grantor agency.

8. *Proposal costs.* Costs of preparing proposals on potential Federal Government grant agreements are allowable when specifically provided for in the grant agreement.

D. *Unallowable costs.* 1. *Bad debts.* Any losses arising from uncollectible accounts and other claims, and related costs, are unallowable.

2. *Contingencies.* Contributions to a contingency reserve or any similar provision for unforeseen events are unallowable.

3. *Contributions and donations.* Unallowable.

4. *Entertainment.* Costs of amusements, social activities, and incidental costs relating thereto, such as meals, beverages, lodgings, rentals, transportation, and gratuities, are unallowable.

5. *Fines and penalties.* Costs resulting from violations of, or failure to comply with Federal, State and local laws and regulations are unallowable.

6. *Governor's expenses.* The salaries and expenses of the Office of the Governor of a State or the chief executive of a political subdivision are considered a cost of general State or local government and are unallowable.

7. *Interest and other financial costs.* Interest on borrowings (however represented), bond discounts, cost of financing and refinancing operations, and legal and professional fees paid in connection therewith, are unallowable except when authorized by Federal legislation.

8. *Legislative expenses.* Salaries and other expenses of the State legislature or similar local governmental bodies such as county supervisors, city councils, school boards, etc., whether incurred for purposes of legislation or executive direction, are unallowable.

9. *Underrecovery of costs under grant agreements.* Any excess of cost over the Federal contribution under one grant agreement is unallowable under other grant agreements.

## Amendment to Attachment B, paragraph B.28

*Travel.* (Add the following sentence at the end of the paragraph.)

"Notwithstanding the provisions of Attachment B, paragraphs D.6. and 8., travel costs of officials covered by those paragraphs, when specifically related to grant programs, are allowable with the prior approval of the Federal funding agency."

## Amendment to Attachment B, paragraph C.2a

"C.2.a. *Rental cost.* The rental cost of space in a privately owned building is allowable. Similar costs for publicly owned buildings newly occupied on or after October 1, 1980, are allowable where "rental rate" systems or equivalent systems that adequately reflect actual costs, are employed. Such charges must be determined on the basis of actual cost (including depreciation based on the useful life of the building, interest paid or accrued, operation and maintenance, and other allowable costs). Where these costs are included in rental charges, they may not be charged elsewhere. No costs will be included for purchases or construction that were originally financed by the Federal Government.

## Amendment to Attachment B, paragraph C.D.7

"D.7. *Interest and other financial costs.* Interest on borrowings (however represented), bond discounts, cost of financing and refinancing operations, and legal and professional fees paid in connection therewith, are unallowable except when authorized by Federal legislation and except as provided for in paragraph C.2.a. of this Attachment."

\* Amendments to C.2a and D.7 appear in the third column of this page.

**OFFICE OF MANAGEMENT AND BUDGET**

**Federal Agencies Responsible for Approval of Cost Allocation Plans and Other Cost Proposals of State and Local Governments**

February 19, 1980.

**SUMMARY:** This notice transmits an updated list of Federal agency assignments for administering OMB Circular 74-4, "Cost Principles Applicable to Grants and Contracts With State and Local Governments."

OMB Circular 74-4 established principles and standards for determining the allowable costs of programs administered by State and local governments. The Circular also provides instructions and guidance for the negotiation, approval, and audit of cost allocation plans, and indirect cost proposals.

The following list shows the responsible Federal agency assigned to carry out these provisions of the Circular.

This list does not provide cognizant agency assignments for carrying out the provisions of Attachment P, Circular A-102, "Audit Requirements for State and Local Governments." Such a list is currently under development and will be issued in the near future.

**FOR FURTHER INFORMATION CONTACT:** Jack Sheehan, Financial Management Branch, Office of Management and Budget, Washington, D.C. 20503 (202) 395-3993.

John J. Lordan,  
Chief, Financial Management Branch.

**Federal Agencies Responsible for Audit and Approval of Cost Allocation Plans and Other Cost Proposals of State and Local Governments**

*A Listing by States*

**Table of Contents**

- Part I—General Information
- Part II—Federal Agencies Responsible for the Audit and Approval of Statewide Cost Allocation Plans
- Part III—Federal Agencies Responsible for the Audit and Approval of State Agency and Local Government Cost Allocation Plans
- Part IV—Federal Agencies Responsible for the Audit and Approval of Cost Allocation Plans for School Districts and Special Districts
- Part V—Addresses of Federal Offices to Contact Regarding the Requirements of OMB Circular 74-4

**Part I—General Information**

OMB Circular 74-4 establishes uniform principles for determining costs of federally assisted programs carried

out by State and local governments. It provides for recognition of central service costs, identifies the major types of costs normally incurred, and classifies them as to allowability. It also provides for the development of necessary instructions related to the determination of indirect costs and makes it possible for indirect costs to be charged against a Federal program without a transfer of funds between the grantee departments involved. It requires States and localities charging indirect costs to substantiate them through the preparation of cost allocation plans.

All States, the District of Columbia, Puerto Rico, and other territories are required to submit their cost allocation plans to a designated Federal agency for prior approval. Local governments are not required to submit their cost allocation plans for approval unless asked to do so by the designated Federal agency. It is, however, the responsibility of the local government seeking reimbursement of its indirect costs to prepare and retain a plan even though not asked to submit one.

Circular 74-4 provides that a listing of Federal agencies assigned responsibility for the audit and approval of State and local cost plans be maintained by the Federal Government. Parts II, III, and IV constitute that listing. All States are included, as are all State agencies, school districts, and those special districts that are expected to have substantial dealings with the Federal government. Counties, municipalities, and townships that had populations in excess of 50,000 are also included.

Part V contains the addresses of Federal offices that should be contacted for additional information and guidance. Those State departments and local units of government not listed should contact the Federal agency providing them the most funds for information and guidance. In the determination of what Federal funds should be considered for this purpose do not include Federal funds which are not normally burdened with overhead, such as major subcontracts, funds received by a State but immediately passed through to a local government, and funds received by a local government which are immediately passed through to a subgrantee.

**Part II—Federal Agencies Responsible for the Audit and Approval of Statewide Cost Allocation Plans**

50 States, The District of Columbia and Puerto Rico; Department of Health, Education, & Welfare  
American Samoa; Department of Interior  
Guam; Department of Interior

Trust Territory of the Pacific Islands:  
Department of Interior  
Virgin Islands; Department of Interior

**Part III—Federal Agencies Responsible for the Audit and Approval of State Agency and Local Government Cost Allocation Plans**

**Legend of Federal Agency Abbreviations Used in the Listings That Follow**

Department of Agriculture.....	AGRI
Department of Commerce.....	COMM
Community Services Administration.....	CSA
Defense Contract Audit Agency.....	DCAA
Defense Civil Preparedness Agency.....	DCPA
Department of Energy.....	DOE
Department of Transportation.....	DOT
Equal Employment Opportunity Commission.....	EEOC
Environmental Protection Agency.....	EPA
Department of Health, Education and Welfare.....	HEW
Department of Housing and Urban Development.....	HUD
Department of Interior.....	INT
Department of Justice.....	JUST
Department of Labor.....	LABOR
Law Enforcement Assistance Agency.....	LEAA
National Foundation on the Arts and Humanities.....	NFAH
National Science Foundation.....	SF
Veterans Administration.....	VA

NOTE.—The assignments shown for HEW and DCPA will be changed in the future when their successor agencies are fully operational. Assignments shown for NFAH are reassigned to its successor agencies: National Endowment for the Arts and National Endowment for the Humanities.

**Alabama**

*State Agency*

- C. A. Advisory Committee for Economic Opportunity
- HUD Alabama Development Commission
- JUST Alabama Law Enforcement Agency
- NFAH Alabama State Council on the Arts and Humanities
- DCPA Civil Defense Department
- HEW Commission on Aging
- AGRI Dept. of Agriculture and Industries
- INT Dept. of Archives & History
- INT Dept. of Conservation and Natural Resources
- Department of Education
- HEW Department of Education
- HEW Dept. of Education-Voc. Rehab. Services
- LABOR Dept. of Industrial Relations
- LABOR Dept. of Labor
- HEW Dept. of Mental Health
- HEW Dept. of Pensions and Security
- HEW Dept. of Public Health
- HUD Office of the Governor
- AGRI State Forestry Commission
- DOT State of Alabama Highway Department
- HEW Water Improvement Commission

*Counties*

- HEW Calhoun
- HEW Dallas
- HEW Etowah
- HEW Houston
- EPA Jefferson
- HEW Lauderdale
- HEW Madison
- HEW Mobile
- EPA Montgomery
- HEW Morgan
- HEW Talladega
- LABOR Tuscaloosa
- HEW Walker

*Municipalities*

- HEW Birmingham
- HEW Gadsden

LABOR Huntsville  
EPA Mobile  
LABOR Montgomery  
HUD Tuscaloosa

**Alaska**

*State Agency*  
NFAH Alaska State Council on the Arts  
DCPA Alaska Division of Emergency Services  
HEW Board of Vocational Rehabilitation  
DOT Dept. of Commerce  
LABOR Dept. of Community & Regional Affairs  
COMM Dept. of Economic Development  
HEW Dept. of Education  
EPA Dept. of Environmental Conservation  
INT Dept. of Fish and Game  
HEW Dept. of Health and Social Services  
LABOR Dept. of Labor  
DCAA Dept. of Military Affairs  
INT Dept. of Natural Resources  
DOT Dept. of Public Safety  
LABOR Office of the Governor  
CSA Rural Community Action Program  
DOT Dept. of Transportation and Public Facilities

*Counties*  
HEW Greater Anchorage

**American Samoa**

*State Agency*  
INT All Departments

**Arizona**

*State Agency*  
NFAH Arizona Commission on the Arts and Humanities  
INT Arizona Game & Fish Department  
HEW Dept. of Economic Security  
HEW Dept. of Education  
HEW Dept. of Health Services  
JUST Dept. of Public Safety  
DCPA Division of Emergency Services  
AGRI Egg Inspection Board  
LABOR Governor's Office  
LABOR Industrial Commission  
AGRI Livestock Sanitary Board  
INT Outdoor Recreation Coord. Comm.  
DOT Dept. of Transportation  
HEW State Hospital Board  
AGRI State Land Department  
HEW State School for the Deaf and Blind  
INT Arizona State Parks

*Counties*  
HEW Cochise  
LABOR Maricopa  
HEW Pima  
HEW Pinal

*Municipalities*  
EPA Phoenix  
EPA Tucson

**Arkansas**

*State Agency*  
AGRI Dept. of Commerce  
HEW Dept. of Education  
LABOR Dept. of Labor  
EPA Dept. of Pollution Control and Ecology  
HEW Dept. of Human Services  
HEW Dept. of Disability Det.  
INT Game & Fish Commission

NFAH Office of Arkansas State Arts and Humanities  
DCPA Office of Emergency Services  
COMM Office of the Governor  
HEW State Cancer Commission  
DOT Arkansas State Highway and Transportation Dept.  
HEW State Hospital Board  
HEW Dept. of Higher Education  
HEW Dept. of Health

*Counties*  
HEW Jefferson  
HEW Mississippi  
HUD Pulaski  
EPA Sebastian  
HEW Washington

*Municipalities*  
EPA Fort Smith  
HUD Little Rock  
EPA North Little Rock

**California**

*State Agency*  
HEW Air Resources Board  
DOT Dept. of Transportation  
NFAH California Arts Commission  
JUST Calif. Council on Criminal Justice  
HEW Coord. Council for Higher Education  
HEW Dept. of Social Services  
HEW Dept. of Corrections  
AGRI Dept. of Conservation  
HEW Dept. of Education  
LABOR Dept. of Employment Development  
INT Dept. of Fish and Game  
AGRI Dept. of Food and Agriculture  
HEW Dept. of Health  
LABOR Dept. of Human Resources  
LABOR Dept. of Industrial Relations  
JUST Dept. of Justice  
INT Dept. of Parks & Recreation  
HEW Dept. of Rehabilitation  
VA Dept. of Veterans Affairs  
EEOC Division of Human Rights  
HEW Dept. of Mental Health  
HEW Dept. of Developmental Services  
HEW Dept. of Alcohol and Drug Abuse  
HEW Dept. of State Wide Health Planning & Development  
DCPA Office of Emergency Services  
HUD Office of Planning and Research  
HUD State Department of Finance  
DOT State Highway Department  
DCPA State National Guard  
HEW State Scholarship and Loan Comm.  
HEW Dept. of Youth Authority  
EPA Water Resources Control Board

*Counties*  
HEW All Counties

*Municipalities*  
HUD Alameda  
HEW Alhambra  
HEW Anaheim  
EPA Bakersfield  
HUD Berkeley  
HEW Burbank  
HUD Compton  
HEW Downey  
HUD Fresno  
HEW Fullerton  
HEW Garden Grove  
HEW Glendale  
HEW Hayward

HEW Inglewood  
HEW Lakewood  
DOL Long Beach  
HEW Los Angeles  
HEW Norwalk  
HEW Oakland  
EPA Palo Alto  
HEW Pasadena  
HEW Pomona  
LABOR Richmond  
HEW Riverside  
LABOR Sacramento  
HUD San Bernardino  
EPA San Diego  
EPA San Jose  
HEW San Leandro  
EPA San Mateo  
HEW Santa Ana  
HUD Santa Barbara  
HEW Santa Clara  
HEW Santa Monica  
HEW South Gate  
LABOR Stockton  
HEW Sunnyvale  
HEW Torrance  
HUD Vallejo  
HEW West Covina

**Colorado**

*State Agency*  
DCPA Adjutant General—Disaster Emergency Services  
NFAH Colorado Council on the Arts and Humanities  
AGRI Dept. of Agriculture  
HEW Dept. of Education  
INT Division of Wildlife  
HEW Dept. of Higher Education  
HEW Dept. of Institutions  
LABOR Dept. of Labor and Employment  
INT Dept. of Natural Resources  
HEW Dept. of Public Health  
HEW Dept. of Social Services  
COMM Div. of Comm. and Development  
DOE Office of the Governor  
DOT State Dept. of Highways  
HEW Western Inter. Comm. for High Education

*Counties*  
HEW Adams  
HEW Arapahoe  
HEW Boulder  
HEW El Paso  
HEW Jefferson  
HEW Larimer  
HEW Mesa  
HEW Pueblo  
HEW Weld  
HEW

*Municipalities*  
EPA Colorado Springs  
HEW Denver  
HUD Pueblo

**Connecticut**

*State Agency*  
AGRI Agriculture Expt. Station  
HEW Comm. on Services for Elderly Persons  
NFAH Connecticut Commission on the Arts  
COMM Connecticut Development Commission  
INT Connecticut Historical Comm.  
HUD Dept. of Community Affairs

AGRI Dept. of Consumer Protection  
 HEW Dept. of Education  
 EPA Dept. of Environmental Protection  
 HEW Office Policy & Management  
 HEW Dept. of Health  
 LABOR Dept. of Labor  
 HEW Dept. of Mental Health  
 HEW Dept. of Welfare  
 DCAA Military Dept.  
 DOT Dept. of Transportation

**Municipalities**

LABOR Bridgeport  
 LABOR Harford  
 EPA Meriden  
 HEW New Britain  
 LABOR New Haven  
 HEW Norwalk  
 EPA Stamford  
 HUD Waterbury

**Townships**

HEW Greenwich  
 HEW West Harford

**Delaware****State Agency**

EPA Air and Water Resources Commission  
 HEW Board of Vocational Education  
 NFAH Delaware State Arts Council  
 HEW Dept. of Education  
 HEW Dept. of Community Affairs  
 HEW Dept. of Health & Social Services  
 LABOR Dept. of Labor  
 EPA Dept. of Natural Resources & Environmental Control

**Delaware****State Agency**

LABOR Employment Security Comm.  
 CSA Office of Economic Opportunity  
 AGRI State Board of Agriculture  
 DOT Dept. of Transportation  
 DCAA State National Guard

**Counties**

HEW Kent  
 EPA New Castle  
 EPA Sussex

**Municipalities**

EPA Wilmington

**District of Columbia****State Agency**

HUD Asst. to the Comm. for Housing Prog.  
 HEW Asst. to the Comm. for Juvenile Delinquency Prog.  
 NFAH D.C. Comm. on the Arts and Humanities  
 JUST Dept. of Corrects  
 EPA Dept. of Environmental Services  
 DOT Dept. of Transportation  
 HEW Dept. of Human Resources  
 LABOR Dept. of Manpower  
 DOT Dept. of Motor Vehicles  
 INT Dept. of Recreation  
 COMM Mayor's Econ. Devel. Comm.  
 JUST Metropolitan Police  
 DCAA Office of Civil Defense  
 HUD Office of Community Services  
 JUST Office of the Directors, Public Safety  
 HEW Public Library  
 HEW Public Schools

**Municipalities**

HEW Washington, D.C.

**Florida****State Agency**

HUD Dept. of Administration  
 AGRI Dept. of Agriculture and Consumer Services  
 LABOR Dept. of Commerce  
 HEW Dept. of Education  
 HEW Dept. of Health & Rehab. Services  
 DCPA Dept. of Military Affairs  
 INT Dept. of Natural Resources  
 EPA Dept. of Pollution Control  
 DOT Dept. of Transportation  
 DCPA Division of Disaster Preparedness  
 LABOR Employment Security Commission  
 NFAH Fin Arts Council of Florida  
 LABOR Dept. of Community Affairs  
 INT Game & Fresh Water Fish Commission

**Counties**

HEW Alachua  
 HEW Bay  
 LABOR Brevard  
 HEW Broward  
 EPA Dade  
 HEW Duval  
 LABOR Escambia  
 HEW Hillsborough  
 HEW Lake  
 LABOR Lee  
 LABOR Leon  
 LABOR Manatee  
 HEW Marion  
 HEW Okaloosa  
 LABOR Orange  
 LABOR Palm Beach  
 LABOR Pasco  
 HEW Pinellas  
 LABOR Polk  
 LABOR Sarasota  
 LABOR Seminole  
 LABOR Volusia

**Municipalities**

EPA Fort Lauderdale  
 HEW Hialeah  
 EPA Jacksonville  
 HEW Miami  
 HEW Miami Beach  
 EPA Orlando  
 EPA Pensacola  
 LABOR St. Petersburg  
 EPA Tallahassee  
 HUD Tampa  
 HUD West Palm Beach

**Georgia****State Agency**

DCPA Adjutant General—State Civil Defense  
 HEW Board of Regents  
 HEW Commission on Aging  
 DOT Coordinator of Highway Safety  
 AGRIC Dept. of Agriculture  
 HUD Dept. of Community Development  
 JUST Dept. of Correction  
 HEW Dept. of Education  
 HEW Dept. of Family and Children Services  
 HEW Dept. of Human Resources  
 HUD Dept. of Industry & Trade  
 LABOR Dept. of Labor  
 EPA Dept. of Natural Resources  
 HEW Dept. of Public Health

JUST Dept. of Public Safety  
 VA Dept. of Veterans Services  
 NFAH Georgia Council for the Arts  
 HEW Higher Education Asst. & State School Comm.  
 CSA Office of Economic Opportunity  
 AGRI State Forestry Comm.  
 DOT Dept. of Transportation  
 HUD State Planning Bureau

**Counties**

HEW Bobb  
 HEW Chatham  
 EPA Cobb  
 LABOR DeKalb  
 HEW Dougherty  
 LABOR Fulton  
 HEW Floyd  
 HEW Muscogee  
 LABOR Richmond

**Municipalities**

HUD Albany  
 HUD Atlanta  
 EPA Augusta  
 HEW Columbus  
 LABOR Macon  
 HUD Savannah

**State Agency**

INT All Departments

**Hawaii****State Agency**

DCPA Adjutant General—Civil Defense  
 AGRI Dept. of Agriculture  
 HEW Dept. of Budget & Finance  
 HEW Dept. of Education  
 HEW Dept. of Health  
 LABOR Dept. of Labor and Industrial Relations  
 INT Dept. of Land & Natural Resources  
 HEW Dept. of Social Services and Housing  
 DOT Dept. of Transportation  
 NFAH Hawaii State Foundation on Culture & the Arts  
 JUST Office of the Governor

**Counties**

EPA Hawaii

**Municipalities**

LABOR Honolulu

**Idaho****State Agency**

DCPA Adj. General & Bureau of Disaster Services  
 HUD Association of Idaho Cities  
 AGRI Dept. of Agriculture  
 HEW Dept. of Education  
 LABOR Dept. of Employment  
 HEW Dept. of Environmental and Community Services  
 INT Dept. of Fish and Game  
 LABOR Dept. of Labor  
 INT Dept. of Parks and Recreation  
 EPA Dept. of Water Resources  
 HEW Disability Determination Unit  
 INT Idaho Historical Society  
 NFAH Idaho State Commission on Arts and Humanities  
 LABOR Industrial Commission  
 CSA Office of Economic Opportunity  
 HEW Office of the Governor  
 HEW Office of Voc. Rehabilitation Services

AGRI State Board of Land Comm.  
DOT State of Idaho Transportation Dept.

*Counties*

HEW Ada  
HEW Canyon

## Illinois

*State Agency*

EPA Air Pollution Control Board  
HEW Board of Voc. Education & Rehab.  
DCPA Civil Defense Agency  
AGRI Dept. of Agriculture  
HEW Dept. of Children & Services  
INT Dept. of Conservation  
HEW Dept. of Education  
LABOR Dept. of Labor  
HEW Dept. of Mental Health  
HEW Dept. of Public Aid  
HEW Dept. of Public Health  
DOT Dept. of Transportation  
EPA Environmental Protection Agency  
NFAH Illinois Arts Council  
LABOR Industrial Commission  
CSA Office of Economic Opportunity  
HUD State Housing Board  
EPA State Sanitary Board

*Counties*

HEW Adams  
HEW Champaign  
HEW Cook  
EPA DeKalb  
HEW DuPage  
HEW Kane  
HEW Kankakee  
HEW Knox  
LABOR Lake  
HEW LaSalle  
HEW Macon  
HEW Madison  
HEW McHenry  
HEW McLean  
HUD Peoria  
HEW Rock Island  
HEW Sangamon  
HEW St. Clair  
HEW Tazewell  
HEW Vermilion  
HEW Whiteside  
HEW Will  
HEW Winnebago

*Municipalities*

HEW Aurora  
HEW Berwyn  
HUD Chicago  
HEW Cicero  
HEW Decatur  
HUD E. St. Louis  
HEW Evanston  
EPA Joliet  
HEW Oak Park  
HEW Peoria  
HUD Rock Island  
HUD Rockford  
HEW Skokie  
EPA Springfield  
EPA Waukegan

*Townships*

HEW Aurora  
HEW Berwyn  
HEW Bremen  
HEW Bloom  
HEW Capital

HEW Decatur  
HEW Downers Grove  
HEW E. St. Louis  
HEW Elgin  
HEW Evanston  
HEW Joliet  
HEW Lyons  
HEW Lyons  
HEW Maine  
HEW Milton  
HEW New Trier  
HEW Niles  
HEW Oak Park  
HEW Proviso  
HEW Rockford  
HEW Thornton  
HEW Waukegan  
HEW Wheeling

## Indiana

*State Agency*

HEW Board of Health  
HEW Board of Voc. & Tech. Education  
AGRI Dept. of Agriculture  
DCPA Dept. of Civil Defense  
HEW Dept. of Mental Health  
INT Dept. of Natural Resources  
HEW Dept. of Public Institutions  
HEW Dept. of Public Welfare  
HEW Dept. of Voc. Rehab.  
LABOR Employment Security Division  
NFAH Indiana Arts Comm.  
LABOR Labor Division  
DCAA State Adjutant General  
HUD State Dept. of Commerce  
DOT State Highway Commission  
HEW Stream Pollution Control Board

*Counties*

HEW Allen  
HUD Clark  
HEW Delaware  
HEW Elkhart  
HEW Floyd  
HEW Grant  
HEW Howard  
HEW Lake  
HEW La Porte  
HEW Madison  
HEW Marion  
HEW Monroe  
HEW Porter  
HUD St. Joseph  
HEW Tippecanoe  
HEW Vanderburgh  
HEW Vigo  
HEW Wayne

*Municipalities*

HEW E. Chicago  
HEW Evansville  
EPA Fort Wayne  
HUD Gary  
EPA Hammond  
HUD Indianapolis  
HEW Muncie  
HUD South Bend  
HUD Terre Haute

*Townships*

HEW Anderson  
HEW Calumet  
HEW Center-Muncie  
HEW Center-Kokomo  
HEW Gary  
HEW Harrison

HEW Knight  
HEW North-Hammond  
HEW Pigeon  
HEW Port. go  
HEW Warren  
HEW Washington  
HEW Wayne-Ft. Wayne  
HEW Wayne-Indianapolis  
HEW Wayne-Richmond

## Iowa

*State Agency*

HEW Board of Control of State Institutions  
HEW Board of Vocational Education  
DCPA Office of Disaster Services  
HEW Commission for the Blind  
HEW Commission on Aging  
LABOR Employment Security Commission  
AGRI Dept. of Agriculture  
HEW Dept. of Education  
EPA Dept. of Environmental Quality  
HEW Dept. of Health  
HEW Dept. of Social Welfare  
DOT Dept. of Transportation  
NFAH Iowa State Arts Council  
INT Iowa State Historical Dept.  
HEW Mental Health Authority  
CSA Office of Economic Opportunity  
HEW Office of Planning & Programs  
CSA Office of the Governor  
HEW Office of Vocational Rehabilitation  
HEW State Board of Regents  
INT State Conservation Commission  
HUD State Development Commission  
DCAA State National Guard

*Counties*

HEW Black Hawk  
HEW Clinton  
HEW Dubuque  
HEW Johnson  
EPA Linn  
HEW Polk  
HEW Pottawattamie  
HEW Scott  
HEW Woodbury

*Municipalities*

EPA Cedar Rapids  
HEW Council Bluffs  
HEW Davenport  
LABOR Des Moines  
EPA Dubuque  
EPA Sioux City  
HEW Waterloo

## Kansas

*State Agency*

HEW Dept. of Social & Rehabilitation Services  
DOT Dept. of Transportation  
HEW Board of Vocational Rehabilitation  
DCPA Division of Emergency Preparedness  
HEW Crippled Children's Commission  
HEW Dept. of Education  
HEW Dept. of Health  
AGRI Dept. of Grain and Inspection  
LABOR Employment Security Division  
INT Forestry, Fish & Game Commission  
NFAH Kansas Cultural Arts Commission  
INT Kansas State Historical Society  
HEW Legislative Council  
AGRI State Board of Agriculture  
HUD State Dept. of Economic Development  
DCAA State National Guard  
INT State Park & Research Authority

CSA State Technical Assistance Program

Counties

HEW Johnson  
HEW Reno  
HEW Saline  
HEW Sedgwick  
HEW Shawnee  
HEW Wyandotte

Municipalities

EPA Kansas  
HEW Topeka  
HUD Wichita

Kentucky

State Agency

LABOR Dept. of Employment  
AGRI Dept. of Agriculture  
HUD Dept. of Commerce  
HEW Dept. of Education  
INT Dept. of Fish & Wildlife Resources  
HEW Dept. of Human Resource  
LABOR Dept. of Labor  
INT Dept. of Parks  
AGRI Dept. of Natural Resources & Environmental Protection  
DGT Dept. of Transportation  
DCPA Division of Disaster and Emergency Services  
NFAH Kentucky Arts Commission  
INT Kentucky Heritage Commission  
CSA Office of Economic Opportunity  
HUD Office of the Governor  
DCAA State Adjutant General

Kentucky

Counties

HEW Boyd  
HEW Campbell  
HEW Christian  
HEW Daviess  
HEW Fayette  
HEW Hardin  
HEW Harlan  
EPA Jefferson  
HEW Kenton  
HEW McCrack  
HEW Pike

Municipalities

HUD Covington  
EPA Lexington  
EPA Louisville

Louisiana

State Agency

AGRI Dept. of Agriculture  
HEW Dept. of Education  
LABOR Dept. of Labor  
HUD Dept. of Public Works  
LABOR Division of Employment Security  
AGRI Dept. of Natural Resources  
HEW Dept. of Health & Human Resources  
DOT Dept. of Transportation and Development  
NFAH Louisiana State Arts Council  
CSA Office of Economic Opportunity  
DCPA Office of Emergency Preparedness  
INT State Parks & Recreation Comm.  
EPA Stream Control Commission  
INT Wildlife & Fisheries Commission  
HEW Attorney General

Counties

HEW Bossier

HEW Caddo  
HEW Calcasieu  
HEW Iberia  
LABOR Jefferson  
HEW Lafayette  
HEW Lafourche  
HEW Ouachita  
HEW Rapides  
HEW St. Landry  
HEW Tagipahoa  
HEW Terrebonne

Municipalities

LABOR Baton Rouge  
EPA Lake Charles  
EPA Monroe  
LABOR New Orleans  
EPA Shreveport

Maine

State Agency

DCPA Bureau of Civil Emergency Preparedness  
LABOR Bureau of Labor Industry  
DOT Dept. of Aeronautics  
AGRI Dept. of Agriculture  
AGRI Dept. of Conservation  
HUD Dept. of Economic Development  
HEW Dept. of Educational & Cultural Services  
EPA Dept. of Environmental Protection  
HEW Dept. of Health & Welfare  
INT Dept. of Inland Fisheries & Wildlife  
HEW Dept. of Human Services  
DOT Dept. of Transportation  
CSA Division of Economic Opportunity  
LABOR Employment Security Commission  
INT Maine Historic Preservation Commission  
LABOR Manpower Affairs  
HUD Office of the Governor  
DOT State Highway Dept.  
DCAA State National Guard

Maine

Counties

HEW Androscoggin  
HEW Cumberland  
HEW Kennebec  
HEW Penobscot  
HEW York

Municipalities

HUD Portland

Maryland

State Agency

AGRI Dept. of Agriculture  
HUD Dept. of Economic & Community Development  
HEW Dept. of Education  
INT Dept. of Natural Resources  
DCPA Dept. of Public Safety and Correctional Services  
HEW Dept. of Employment & Social Services  
HUD Dept. of State Planning  
DOT Dept. of Transportation  
LEAA Executive Dept.  
DCAA Military Dept.  
EPA Maryland Environmental Services

Counties

HEW Allegany  
EPA Anne Arundel

EPA Baltimore County  
EPA Carroll  
EPA Frederick  
EPA Harford  
LABOR Montgomery  
EPA Prince Georges  
EPA Washington

Municipalities

EPA Baltimore

Massachusetts

State Agency

DCPA Civil Defense Agency and Office of Emergency Preparedness  
HEW Commission for the Blind  
HEW Commission on Aging  
AGRI Dept. of Agriculture  
COMM Dept. of Commerce & Development  
HUD Dept. of Community Affairs  
HEW Dept. of Education  
LABOR Dept. of Labor & Industries  
HEW Dept. of Mental Health  
INT Dept. of Natural Resources  
HEW Dept. of Public Welfare  
DOT Dept. of Public Works  
CSA Executive Department  
HEW Executive Office of Administration and Finance  
NFAH Massachusetts Council on the Arts and Humanities  
INT Mass. Historical Commission  
EPA N. E. Interstate Water Pollution Control Commission  
LABOR Office of Manpower Affairs  
HEW Rehabilitation Commission  
HUD State Dept. of Commerce  
DCAA State National Guard  
COMM Office of State Planning

Counties

HEW Barnstable  
HEW Berkshire  
HEW Bristol  
HEW Essex  
HEW Franklin  
HEW Hampden  
HEW Hampshire  
HEW Middlesex  
HEW Norfolk  
HEW Plymouth  
HEW Worcester

Municipalities

HEW Boston  
HEW Brockton  
HUD Cambridge  
EPA Chicopee  
EPA Fall River  
HUD Holyoke  
HUD Lawrence  
HUD Lawrence  
HEW Lowell  
HUD Lynn  
HEW Malden  
HEW Medford  
EPA New Bedford  
HEW Newton  
EPA Pittsfield  
HEW Quincy  
HEW Springfield  
LABOR Springfield  
HEW Wrentham  
LABOR Worcester

Townships

HEW Brookline

## Michigan

*State Agency*

AGRI Dept. of Agriculture  
 EEOC Dept. of Civil Rights  
 COMM Dept. of Commerce  
 HEW Dept. of Education  
 LABOR Dept. of Labor  
 HEW Dept. of Mental Health  
 DCAA Dept. of Military Affairs  
 INT Dept. of Natural Resources  
 HEW Dept. of Public Health  
 HEW Dept. of Social Services  
 DOT Dept. of State Highways and  
 Transportation  
 DOT Dept. of State Police  
 HEW Dept. of the Attorney General  
 LABOR Employment Security  
 JUST Executive Office of the Governor  
 NFAH Michigan Council for the Arts  
 DCPA State Civil Defense—Emergency  
 Service Div.  
 EPA Water Resources Commission

*Counties*

HEW Allegan  
 HEW Bay  
 EPA Berrien  
 HEW Calhoun  
 LABOR Genesee  
 HEW Ingham  
 HEW Jackson  
 HEW Kalamazoo  
 EPA Kent  
 HEW Lenawee  
 HEW Macomb  
 EPA Madison  
 HEW Marquette  
 HEW Midland  
 LABOR Monroe  
 HEW Muskegon  
 LABOR Oakland  
 EPA Citawa  
 EPA Saginaw  
 EPA St. Clair  
 HEW Shiawassee  
 HEW Washtenaw  
 HEW Wayne

*Municipalities*

HUD Ann Arbor  
 EPA Bay City  
 HEW Dearborn  
 HEW Dearborn Heights  
 LABOR Detroit  
 HEW Flint  
 EPA Grand Rapids  
 HEW Jackson  
 EPA Kalamazoo  
 HUD Lansing  
 HEW Lincoln Park  
 HEW Livonia  
 HUD Pontiac  
 HEW Roseville  
 HEW Royal Oak  
 EPA Saginaw  
 HEW St. Clair Shores  
 HEW Warren  
 HEW Westland

*Townships*

HEW Dearborn  
 HEW Redford

## Minnesota

*State Agency*

JUST Bureau of Criminal Apprehension

DOT Dept. of Aeronautics  
 EPA Dept. of Agriculture  
 COMM Dept. of Business Development  
 INT Dept. of Natural Resources  
 HEW Dept. of Education  
 LABOR Dept. of Employment Services  
 HEW Dept. of Health  
 EEOC Dept. of Human Rights  
 LABOR Dept. of Labor and Industry  
 HEW Dept. of Public Welfare  
 DOT Dept. of Transportation  
 DCPA Division of Emergency Services  
 HEW Governor's Citizen's Council  
 CSA Office of Economic Opportunity  
 EPA Pollution Control Agency  
 NFAH State Arts Council  
 HUD State Historical Society  
 HUD State Planning Agency

*Counties*

HEW Anoka  
 HEW Dakota  
 HEW Hennepin  
 HEW Olmsted  
 HEW Ramsey  
 HEW St. Louis  
 HEW Stearns  
 HEW Washington

*Municipalities*

HEW Bloomington  
 HEW Duluth  
 HUD Minneapolis  
 EPA St. Paul

## Mississippi

*State Agency*

COMM Agriculture/Industrial Board  
 EPA Air and Water Pollution Comm.  
 HEW Board for Vocational Education  
 HEW Board of Health  
 HEW Board of Trustees of Mental  
 Institutions  
 DCPA Civil Defense Council  
 AGRI Dept. of Agriculture and Commerce  
 HEW Dept. of Education  
 HEW Dept. of Public Welfare  
 HEW Division for the Blind  
 LABOR Employment Security Commission  
 INT Game & Fish Commission  
 NFAH Mississippi Arts Commission  
 CSA Office of Economic Opportunity  
 COMM Office of the Governor  
 INT Mississippi Bureau of Outdoor  
 Recreation  
 HEW Office of Vocational Rehabilitation  
 AGRI State Forestry Commission  
 DOT State Highway Dept.  
 INT State Park System  
 HUD State Research & Development Center

*Counties*

HEW Bolivar  
 HEW Forrest  
 HEW Harrison  
 HEW Hinds  
 HEW Jackson  
 HEW Jones  
 HEW Lauderdale  
 HEW Washington

*Municipalities*

EPA Jackson

## Missouri

*State Agency*

DCPA Adjutant General Disaster Planning  
 & Operations Office, Civil Defense  
 HEW Air Conservation Commission  
 EPA Clean Water Commission  
 AGRI Dept. of Agriculture  
 HUD Dept. of Community Affairs  
 INT Dept. of Conservation  
 HEW Dept. of Education  
 INT Dept. of Natural Resources  
 HUD Division of Commerce & Industrial  
 Development  
 LABOR Division of Employment Security  
 HEW Division of Health  
 HEW Division of Welfare  
 LABOR Division of Workmen's  
 Compensation  
 NFAH Missouri State Council on the Arts  
 COMM Office of State and Regional  
 Planning  
 COMM Office of the Governor  
 DOT State Highway Dept.

*Counties*

HEW Boone  
 HEW Buchana  
 HEW Clay  
 HEW Greene  
 HEW Jackson  
 HEW Jasper  
 HEW Jefferson  
 HEW St. Charles  
 HEW St. Louis

*Municipalities*

HEW Kansas City  
 HEW University City  
 HUD Independence  
 HUD Springfield  
 HUD St. Joseph  
 EPA St. Louis

## Montana

*State Agency*

DCPA Adjutant General—Division of  
 Disaster and Emergency Service  
 DOT Aeronautics Commission  
 HEW Boulder River School and Hospital  
 HEW Children's Center  
 HEW Commission on Aging  
 AGRI Dept. of Agriculture  
 INT Dept. of Fish and Game  
 HEW Dept. of Health  
 DOT Dept. of Highways  
 LABOR Dept. of Labor and Industry  
 AGRI Dept. of Natural Resources  
 HEW Dept. of Social & Rehabilitation  
 Services  
 LABOR Employment Security Commission  
 DOT Highway Patrol  
 HEW Library Commission  
 NFAH Montana Arts Council  
 INT Montana Historical Society  
 HEW Montana State Prison  
 HEW Mountain View School  
 LABOR Office of the Governor  
 HEW Pine Hills School  
 HEW Swan River Youth Camp  
 HEW Veteran's Home  
 HEW Warm Springs State Hospital  
 INT Water Resources Board

*Counties*

HEW Cascade

HEW Yellowstone

*Municipalities*HEW Billings  
HEW Great Falls

Nebraska

*State Agency*DCPA Adjutant General—Civil Agency  
HEW Advisory Committee on Aging  
AGRI Dept. of Agriculture  
HUD Dept. of Economic Development  
HEW Dept. of Education  
EPA Dept. of Environmental Control  
HEW Dept. of Health  
LABOR Dept. of Labor  
HEW Dept. of Public Institutions  
HEW Dept. of Public Welfare  
INT Game and Parks Commission  
NFAH Nebraska Arts Council  
INT Nebraska State Historical Society  
HEW Office of Rehabilitation Services  
HUD Planning & Zoning Commission  
CSA Technical Assistance Agency  
DOT State Highway Dept.  
DCAA State National Guard  
AGRI State Railway Commission*Counties*HEW Douglas  
HUD Lancaster*Municipalities*HUD Lincoln  
HUD Omaha

Nevada

*State Agency*DCPA Civil Defense & Disaster Agency  
AGRI Dept. of Agriculture  
INT Dept. of Conservation & Natural Resources  
CSA Dept. of Economic Opportunity  
HEW Dept. of Education  
LABOR Dept. of Employment Security  
INT Dept. of Fish and Game  
DOT Dept. of Highways  
HEW Dept. of Human Resources  
NFAH Nevada State Council on the Arts  
DCAA State National Guard  
HUD State Planning Board*Counties*EPA Clark  
HEW Washoe*Municipalities*EPA Las Vegas  
HUD Reno

New Hampshire

*State Agency*DOD Adjutant General—Civil Defense Agency  
HEW Committee for the Older American's Act  
AGRI Dept. of Agriculture  
HEW Dept. of Education  
LABOR Dept. of Employment Security  
INT Dept. of Fish & Game  
HEW Dept. of Health & Welfare  
LABOR Dept. of Labor  
DOT Dept. of Public Works and Highways  
INT Dept. of Resources & Economic Development

NFAH New Hampshire Commission on the Arts

COMM New Hampshire State Technical Services

CSA Office of Economic Opportunity

HEW State Cancer Commission

DCAA State National Guard

EPA Water Supply &amp; Pollution Control Commission

*Counties*HEW Hillsborough  
HEW Merrimack  
HEW Rockingham  
HEW Strafford*Municipalities*

EPA Manchester

New Jersey

*State Agency*DCPA Civil Defense & Disaster Control  
EPA Delaware River Basin Commission  
AGRI Dept. of Agriculture  
HEW Dept. of Community Affairs  
HUD Dept. of Conservation and Economic Development  
HEW Dept. of Education  
EPA Dept. of Environmental Protection  
INT Dept. of Environmental Protection, Division of Fish, Game and Shell Fisheries  
HEW Dept. of Human Services  
LABOR Dept. of Labor and Industry  
HEW Dept. of Higher Education  
DOT Dept. of Transportation  
NFAH New Jersey Council on the Arts  
DCAA State National Guard  
HEW Dept. of Health*Counties*HEW Atlantic  
EPA Bergen  
HEW Burlington  
HEW Camden  
HEW Cumberland  
HEW Essex  
HEW Gloucester  
HEW Hudson  
HEW Hunterdon  
HEW Mercer  
EPA Middlesex  
HEW Monmouth  
HEW Morris  
HEW Ocean  
LABOR Passaic  
HEW Salem  
HEW Somerset  
HEW Union  
HEW Warren*Municipalities*HUD Atlantic City  
HEW Bayonne  
HEW Bloomfield  
HEW Camden  
HEW Clifton  
HUD East Orange  
HEW Elizabeth  
HEW Irvington  
HUD Jersey City  
LABOR Newark  
HEW Passaic  
HUD Paterson  
HUD Trenton  
HEW Union City*Townships*HEW Hamilton  
HEW Union  
HEW Woodbridge

New Mexico

*State Agency*DCPA - Adjutant General—Office of Emergency Preparedness  
LABOR Apprenticeship Council  
AGRIC Dept. of Agriculture  
HEW Dept. of Education  
HEW Dept. of Finance and Administration  
HEW Dept. of Health & Environment  
INT Dept. of Game and Fish  
HEW Dept. of Human Services  
INT Dept. of Natural Resource  
AGRI Dept. of State Forestry  
LABOR Employment Security Commission  
EPA Environment Improvement Comm.  
LABOR Manpower Planning  
NFAH New Mexico Arts Commission  
INT New Mexico Historic Preservation Program  
CSA State Division of Economic Opportunity  
INT State Game Commission  
DOT State Highway Dept.  
AGRI State Livestock Board  
INT State Planning Office*Counties*HEW Bernalillo  
HEW Chaves  
HEW Dona Ana  
HEW Eddy  
HEW San Juan*Municipalities*

EPA Albuquerque

New York

*State Agency*JUST Crime Control Council  
AGRI Dept. of Agriculture & Markets  
COMM Dept. of Commerce  
HEW Dept. of Education  
EPA Dept. of Environmental Conservation  
HEW Dept. of Health  
LABOR Dept. of Labor  
DOT Dept. of Motor Vehicles  
HEW Dept. of Social Services  
DOT Dept. of Transportation  
EEOC Division of Human Rights  
HEW Office Alcoholism and Substance Abuse  
HEW Division for Youth  
HEW State Consumer Protection Board  
HEW Office of Mental Retardation and Developmental Disabilities  
DCAA Division of Military and Naval Affairs  
JUST Division of State Police  
HEW Health Planning Commission  
HEW Higher Education Assistance Corporation  
JUST Identification and Intelligence System  
DOT Metropolitan Transportation Authority  
NFAH New York State Council on the Arts  
CSA Office of Economic Opportunity  
HEW Office for the Aging  
JUST Office of Crime Control Planning  
HUD Office of Local Government  
INT Office of Parks and Recreation  
HUD Office of Planning Coordination

EPA Pure Waters Authority  
 EPA St. Lawrence—E. Ontario Commission  
 HEW Office of Mental Health

*Counties*

HEW Albany  
 HEW Broome  
 HEW Cattaraugus  
 HEW Cayuga  
 EPA Chenung  
 HEW Clinton  
 HEW Dutchess  
 HEW Erie  
 HEW Fulton  
 HEW Genesee  
 HEW Herkimer  
 HEW Jefferson  
 HEW Madison  
 HEW Monroe  
 HEW Montgomery  
 HEW Nassau  
 HEW Niagara  
 LABOR Oneida  
 HEW Onondaga  
 HEW Ontario  
 HEW Orange  
 HEW Oswego  
 HEW Otsego  
 HEW Rennselaer  
 HEW Rockland  
 HEW Saratoga  
 HEW Schenectady  
 HEW Steuben  
 HEW St. Lawrence  
 HEW Suffolk  
 HUD Tompkins  
 HEW Cortland  
 HEW Ulster  
 HEW Wayne  
 HEW Westchester

*Municipalities*

HEW Albany  
 EPA Binghamton  
 HUD Buffalo  
 HUD Mount Vernon  
 HEW New Rochelle  
 HEW New York  
 HEW Niagara Falls  
 LABOR Rochester  
 HEW Rome  
 HEW Schenectady  
 HEW Syracuse  
 HEW Troy  
 HEW Utica  
 HUD White Plains  
 HUD Yonkers

*Townships*

HEW Amherst  
 HEW Babylon  
 HEW Brookhaven  
 HEW Cheektowaga  
 HEW Colonie  
 HEW Greenburgh  
 HEW Hempstead  
 HEW Huntington  
 HEW Irondequoit  
 HEW Islip  
 HEW North Hempstead  
 HEW Oyster Bay  
 HEW Smithtown  
 HEW Tonawanda  
 HEW Union

## North Carolina

*State Agency*

DCPA Coordinator, Division of Civil Preparedness  
 HUD Dept. of Administration  
 AGRIC Dept. of Agriculture  
 HEW Dept. of Correction  
 INT Dept. of Cultural Resources, Div. of Archives and History  
 HEW Dept. of Education  
 HEW Dept. of Human Resources  
 LABOR Dept. of Labor  
 DCAA Dept. of Military & Veterans Affairs  
 EPA Dept. of Natural and Community Development Resources  
 DOT Dept. of Transportation  
 EPA Dept. of Water and Air Resources  
 LABOR Employment Security Commission  
 NFAH North Carolina Arts Council  
 INT Wildlife Resources Commission

*Counties*

HEW Alamance  
 LABOR Buncombe  
 HEW Burke  
 HEW Cabarrus  
 HEW Cataw  
 HEW Cleveland  
 HEW Craven  
 LABOR Cumberland  
 LABOR Davidson  
 HEW Durham  
 HEW Edgecombe  
 HEW Forsyth  
 LABOR Gaston  
 LABOR Guilford  
 HEW Halifax  
 HEW Iredell  
 HEW Johnston  
 HEW Lenoir  
 EPA Mecklenburg  
 HEW Nash  
 HEW New Hanover  
 LABOR Onslow  
 HEW Onslow  
 HEW Pitt  
 HEW Randolph  
 HEW Robeson  
 HEW Rockingham  
 HEW Rowan  
 LABOR Wake  
 HEW Wayne  
 HEW Wilson

*Municipalities*

HUD Asheville  
 HUD Charlotte  
 EPA Durham  
 HEW Greensboro  
 HUD High Point  
 EPA Raleigh  
 LABOR Winston Salem

## North Dakota

*State Agency*

HEW Board for Vocational Education  
 HUD Bureau of Government Affairs  
 DCPA Disaster Emergency Services  
 LABOR Employment Security Bureau  
 INT Game and Fish Dept.  
 NFAH North Dakota Council on the Arts and Humanities  
 CSA Office of Economic Opportunity  
 HEW Office Vocational Rehabilitation  
 HEW Public Welfare Board

HEW State Board of Administration  
 DOT State Highway Dept.  
 DCAA State National Guard  
 INT State Govts. and Outdoor Recreation Dept.  
 HUD State Planning Agency  
 AGRIC State Poultry Improvement Board  
 INT State Water Commission

*Counties*

HEW Cass  
 Ohio

*State Agency*

DCPA Adjutant General—Disaster Services Agency  
 HEW Agricultural Research and Development Center  
 LABOR Bureau of Employment Services  
 CSA Bureau of Urban Affairs  
 HEW Bureau of Vocational Rehabilitation  
 AGRIC Dept. of Agriculture  
 HUD Dept. of Development  
 HEW Dept. of Education  
 HEW Dept. of Health  
 LABOR Dept. of Industrial Relations  
 HEW Dept. of Mental Hygiene & Correction  
 INT Dept. of Natural Resources  
 HEW Dept. of Public Welfare  
 DOT Dept. of Transportation  
 EPAS Environmental Protection Agency  
 NFAH Ohio Arts Council  
 EPA Ohio River Valley Water Sanitation Commission

*Counties*

HEW Allen  
 HEW Ashtabula  
 HEW Belmont  
 HEW Butler  
 HEW Clark  
 HEW Clermont  
 HEW Columbianna  
 HEW Cuyahoga  
 HEW Erie  
 HEW Fairfield  
 HEW Franklin  
 HEW Greene  
 HEW Hamilton  
 HEW Hancock  
 EPA Jefferson  
 HEW Lake  
 HEW Lawrence  
 HEW Licking  
 EPA Lorain  
 HEW Lucas  
 HEW Mahoning  
 HEW Marion  
 EPA Medina  
 HEW Miami  
 EPA Montgomery  
 HEW Muskingum  
 EPA Portage  
 HEW Richland  
 HEW Ross  
 HEW Sandusky  
 EPA Scioto  
 HEW Seneca  
 HEW Stark  
 EPA Summit  
 LABOR Trumbull  
 HEW Tuscarawas  
 HEW Warren  
 HEW Washington  
 HEW Weyne  
 HEW Wood

*Municipalities*

HEW Akron  
 HEW Canton  
 HEW Cincinnati  
 HEW Cleveland  
 HEW Cleveland Heights  
 HUD Columbus  
 EPA Dayton  
 HEW Euclid  
 HEW Hamilton  
 HEW Kettering  
 HEW Lakewood  
 HEW Lima  
 EPA Lorain  
 HEW Parma  
 HEW Springfield  
 HEW Toledo  
 HUD Warren  
 LABOR Youngstown

*Townships*

HEW Canton  
 HEW Madison  
 HEW Perry  
 HEW Plain  
 HEW Springfield  
 HEW Sycamore

## Oklahoma

*State Agency*

AGRI Dept. of Agriculture  
 HEW Dept. of Education  
 EPA Dept. of Environmental Control  
 HEW Dept. of Health  
 LABOR Dept. of Human Resources  
 HEW Dept. of Institutions, Social and  
 Rehabilitative Services  
 HEW Dept. of Mental Health  
 DOT Dept. of Transportation  
 CSA Division of Economic Opportunity  
 LABOR Employment Security Commission  
 LABOR Manpower Planning  
 DCPA Office of Civil Defense  
 NFAH Oklahoma Arts and Humanities  
 Council  
 HEW State Board of Vocational Education  
 DCAA State National Guard  
 INT Dept. of Wildlife Conservation  
 EPA Conservation Commission  
 EPA Water Resources Board  
 INT Oklahoma Tourism and Recreation  
 Dept.

## Oklahoma

*Counties*

HEW Comanche  
 HEW Garfield  
 HEW Kay  
 EPA Muskogee  
 HEW Oklahoma  
 EPA Tulsa

*Municipalities*

HUD Lawton  
 HEW Oklahoma City  
 EPA Tulsa

## Oregon

*State Agency*

AGRI Dept. of Forestry  
 JUST Corrections Division  
 AGRI Dept. of Agriculture  
 HEW Dept. of Education  
 LABOR Dept. of Employment  
 EPA Dept. of Environmental Quality

HEW Dept. of Human Resources  
 DOT Dept. of Transportation  
 INT Fish and Wildlife Dept.  
 HUD Office of the Governor  
 NFAH Oregon Arts Commission  
 HEW State Board of Control  
 DCPA State Executive Dept.—Emergency  
 Services Division  
 INT State Parks Superintendent  
 HEW State System of Higher Education

*Counties*

HEW Clackamas  
 HEW Coos  
 HEW Douglas  
 HEW Jackson  
 HEW Lane  
 HEW Linn  
 HEW Marion  
 HEW Washington

*Municipalities*

HUD Eugene  
 HEW Portland

## Pennsylvania

*State Agency*

DCPA Civil Defense, State Council of Civil  
 Defense  
 AGRI Dept. of Agriculture  
 COMM Dept. of Commerce  
 HUD Dept. of Community Affairs  
 HEW Dept. of Education  
 EPA Dept. of Environmental Resources  
 HEW Dept. of Health  
 DOT Dept. of Highways  
 JUST Dept. of Justice  
 LABOR Dept. of Labor and Industry  
 HEW Dept. of Public Welfare  
 DOT Dept. of Transportation  
 INT Fish Commission  
 INT Game Commission  
 LABOR Governor's Office  
 INT Historical and Museum Comm.  
 DCAA Military Affairs  
 HEW Office for the Blind  
 JUST Penn. Board of Probation & Parole  
 NFAH Penn. Council on the Arts  
 HEW Penn. Higher Education Assistance  
 DOT Penn. State Police  
 DCAA State National Guard  
 INT State Planning Board

*Counties*

HEW Adams  
 LABOR Allegheny  
 HEW Armstrong  
 HEW Beaver  
 HEW Berks  
 HEW Blair  
 HEW Bradford  
 EPA Bucks  
 HEW Butler  
 HEW Cambria  
 HEW Carbon  
 HEW Centre  
 HEW Chester  
 HEW Clearfield  
 HEW Columbia  
 HEW Crawford  
 HEW Cumberland  
 HEW Dauphin  
 HEW Delaware  
 HEW Erie  
 HEW Fayette  
 HUD Franklin

HEW Indiana  
 EPA Lackawanna  
 LABOR Lancaster  
 HEW Lawrence  
 HEW Lebanon  
 HEW Lehigh  
 HEW Luzerne  
 HEW Lycoming  
 HEW McKean  
 HEW Mercer  
 HEW Montgomery  
 HEW Northampton  
 HEW Northumberland  
 HEW Schuylkill  
 HEW Somerset  
 LABOR Washington  
 HEW Westmoreland  
 HEW York

*Municipalities*

HEW Allentown  
 HUD Altoona  
 HEW Bethlehem  
 HUD Chester  
 LABOR Erie  
 HUD Harrisburg  
 HUD Johnstown  
 EPA Lancaster  
 HUD Philadelphia  
 LABOR Pittsburgh  
 LABOR Reading  
 EPA Scranton  
 LABOR Westmoreland City  
 HUD Wilkes Barre  
 HEW York

*Townships*

HEW Abington  
 HEW Bristol  
 HEW Haverford  
 HEW Lower Merion  
 HEW Penn Hills  
 HEW Upper Darby

## Puerto Rico

*State Agency*

EPA Aqueduct & Sewer Authority  
 DOT Authority of Metro Autobuses  
 COMM Coop. Development Administration  
 JUST Crime Commission  
 HEW Dept. of Health  
 LABOR Dept. of LABOR  
 INT Dept. of Natural Resources  
 HEW Dept. of Education  
 HEW Dept. of Social Services  
 DOT Dept. of Transportation and Public  
 Works  
 COMM Economic Development  
 Administration of Puerto Rico  
 EPA Environmental Quality Board  
 COMM Industrial Development Corp.  
 NFAH Institute of Puerto Rican Authors  
 DC Office of Civil Preparedness & Defense  
 INT Office of Cultural Affairs  
 HUD Planning Board  
 DOT Ports Authority  
 HUD Puerto Rico Housing & Urban  
 Development Corp.  
 DCAA Puerto Rico National Guard  
 INT Puerto Rico Recreational Development  
 Company  
 LABOR Right to Employment  
 Administration  
 HEW Dept. of Addiction Services

**Rhode Island***State Agency*

DCPA Adjutant General—DCPA  
 HEW Corrections  
 AGRI Dept. of Agriculture  
 HEW Dept. of Community Affairs  
 HEW Dept. of Education  
 LABOR Dept. of Employment Security  
 HEW Dept. of Health  
 LABOR Dept. of Labor  
 INT Dept. of Natural Resources  
 DOT Dept. of Transportation  
 HEW Division of Services for the Blind  
 CSA Executive Chamber  
 HEW Executive Dept., Division on Aging  
 HEW Mental Health, Retardation and Hospitals  
 NFAH Rhode Island State Council on the Arts  
 HEW Social and Rehabilitative Services  
 HUD State Development Council  
 DCAA State National Guard

*Municipalities*

HEW Cranston  
 EPA Pawtucket  
 HUD Providence  
 EPA Warwick

**South Carolina***State Agency*

COMM Coastal Zone Management Council  
 HEW Agency of Vocational Rehabilitation  
 HEW Board of Health  
 HEW Commission for the Blind  
 HEW Dept. of Education  
 DOT Dept. of Highways and Public Transportation  
 LABOR Dept. of Labor  
 HEW Dept. of Mental Health  
 INT Dept. of Parks, Recreation and Tourism  
 HEW Dept. of Public Welfare  
 INT Dept. of Wildlife and Marine Resources  
 DCPA Disaster Preparedness  
 LABOR Employment Security Commission  
 HEW Interagency Council of Aging  
 CSA Office of Economic Opportunity  
 HEW Pollution Control Authority  
 HEW Retarded Children's Habitation Center Board  
 NFAH South Carolina Arts Commission  
 HEW South Carolina Commission on Alcoholism  
 EPA South Carolina Pollution Control Authority  
 AGRI State Agriculture Marketing Commission  
 INT State Archives Dept.  
 AGRI State Commission of Forestry  
 COMM State Development Board  
 EPA Land Resources & Conservation Commission

*Counties*

HEW Aiken  
 HEW Anderson  
 HEW Charleston  
 HEW Darlington  
 HEW Florence  
 HEW Greenville  
 HEW Horry  
 HEW Lexington  
 HEW Orangeburg  
 LABOR Richland  
 HEW Spartanburg

HEW Sumter  
 HEW York

*Municipalities*

LABOR Charleston  
 HUD Columbia  
 LABOR Greenville

**South Dakota***State Agency*

HEW Board of Charities and Corrections  
 HEW Commission on Mental Health and Retardation  
 HEW Division of Vocational Education  
 HEW Division of Vocational Rehabilitation  
 AGRI Dept. of Agriculture  
 EPA Dept. of Environmental Protection  
 INT Dept. of Game, Fish and Parks  
 HEW Dept. of Health  
 HEW Dept. of Public Instruction  
 HEW Dept. of Public Welfare  
 DOT Dept. of Transportation  
 LABOR Employment Security Department  
 NFAH South Dakota State Fine Arts Council  
 DCPA Division of Emergency & Disaster Services  
 DCAA State National Guard  
 INT State Planning Agency

*Counties*

HEW Minnehaha  
 HEW Pennington

*Municipalities*

EPA Sioux Falls

**Tennessee***State Agency*

DCPA Civil Defense Military Dept.  
 HEW Commission on Aging  
 AGRI Dept. of Agriculture  
 INT Dept. of Conservation  
 HEW Dept. of Education  
 LABOR Dept. of Employment Security  
 HEW Dept. of Health  
 LABOR Dept. of Labor  
 HEW Dept. of Mental Health  
 HEW Dept. of Public Health  
 HEW Dept. of Public Welfare  
 DOT Dept. of Transportation  
 INT Wildlife Resources Agency  
 HUD Government Industry & Law Center  
 CSA Office of the Governor  
 COMM Office of Urban and Federal Affairs  
 HEW Office of Vocational Rehabilitation  
 EPA Pollution Control Commission  
 HUD State Planning Commission  
 NFAH Tennessee Arts Commission  
 INT Tennessee Historical Commission  
 EPA Tennessee River Basin Water

*Counties*

HEW Anderson  
 HEW Blount  
 LABOR Davidson  
 LABOR Hamilton  
 HEW Knox  
 HEW Madison  
 HEW Montgomery  
 HEW Rutherford  
 HEW Shelby  
 HEW Sullivan  
 HEW Washington

*Municipalities*

LABOR Chattanooga  
 HEW Knoxville  
 HEW Memphis  
 HUD Nashville

**Texas***State Agency*

EPA Air Control Board  
 HEW Commission for the Blind  
 AGRI Dept. of Agriculture  
 LABOR Dept. of Community Affairs  
 HEW Texas Education Agency  
 HEW Dept. of Mental Health and Retardation  
 INT Dept. of Parks and Wildlife  
 HEW Dept. of Human Resources  
 DCPA Division of Disaster Emergency Services  
 HEW Governor's Committee on Aging  
 COMM Lower Rio Grande Valley Development Council  
 CSA Office of the Governor  
 INT Parks and Wildlife Commission  
 HUD Planning Agency Council  
 COMM State Commission for Indian Affairs  
 LABOR State Employment Commission  
 DOT State Department of Highways and Public Transportation  
 NFAH Texas Commission on the Arts and Humanities  
 HEW Texas Rehabilitation Commission  
 INT Texas State Historical Commission  
 EPA Dept. of Water Resources  
 HEW Texas Youth Council  
 HEW Dept. of Health Resources  
 HEW Texas Advisory Commission on Intergovernmental Relations

*Counties*

LABOR Bell  
 HEW Bexar  
 HEW Bowie  
 HEW Brazoria  
 HEW Cameron  
 HEW Dallas  
 HEW Ector  
 HEW El Paso  
 HEW Galveston  
 HUD Grayson  
 HEW Gregg  
 EPA Harris  
 LABOR Hidalgo  
 HEW Jefferson  
 HEW Lubbock  
 HEW McLennan  
 HEW Midland  
 HEW Nueces  
 HUD Orange  
 HUD Potter  
 HEW Smith  
 HEW Tarrant  
 HEW Taylor  
 HEW Tom Green  
 HEW Travis  
 LABOR Webb  
 HEW Wichita

*Municipalities*

HEW Abilene  
 LABOR Amarillo  
 HUD Austin  
 HEW Beaumont  
 LABOR Corpus Christi  
 LABOR Dallas  
 EPA El Paso

HUD Forth Worth  
 HUD Galveston  
 EPA Houston  
 HUD Laredo  
 EPA Lubbock  
 HEW San Angelo  
 EPA San Antonio  
 HEW Tyler  
 EPA Waco  
 EPA Wichita Falls  
  
**Trust Territory of the Pacific Islands**  
*State Agency*  
 INT All Departments  
  
**Utah**  
*State Agency*  
 LABOR Apprenticeship Council  
 HEW Board for Higher Education  
 AGRI Dept. of Agriculture  
 LABOR Dept. of Employment Security  
 DOT Dept. of Transportation  
 INT Dept. of Natural Resources  
 HEW Dept. of Social Services  
 DCAA National Guard  
 HUD Office of Community Affairs  
 DCPA Office of Emergency Services  
 HUD Office of the Governor  
 JUST Public Safety  
 HEW School for Deaf and Blind  
 HEW State Board of Education  
 HUD State Building Board State Planning  
 HEW State Library  
 NFAH Utah State Division of Fine Arts  
  
**Counties**  
 HEW Davis  
 EPA Salt Lake  
 HEW Utah  
 HEW Weber  
  
**Municipalities**  
 HEW Ogden  
 HUD Salt Lake City  
  
**Vermont**  
*State Agency*  
 INT Agency for Environmental Conservation  
 AGRI Dept. of Agriculture  
 HEW Dept. of Education  
 LABOR Dept. of Employment Security  
 INT Dept. of Fish and Game  
 LABOR Dept. of Labor and Industry  
 DOT Dept. of Motor Vehicles  
 DCPA Dept. of Public Safety, Civil Defense Division  
 DOT Dept. of Transportation  
 HEW Free Public Library  
 HEW Interdepartmental Council on Aging  
 HUD Office of Local Affairs  
 CSA Office of the Governor  
 HUD Planning Council  
 HEW Rehabilitation Center  
 VA Soldier's Home  
 DCAA State National Guard  
 NFAH Vermont Council on the Arts  
 INT Vermont Div. for Historic Preservation  
 HEW Vermont Agency for Human Services  
  
**Counties**  
 HEW Chittenden

Virgin Island  
*State Agency*  
 INT All Departments  
  
**Virginia**  
*State Agency*  
 HEW Committee for the Visually Handicapped  
 HEW Commission on the Aging  
 AGRI Dept. of Agriculture and Commerce  
 DOT Dept. of Conservation and Economic Development  
 HEW Dept. of Education  
 HEW Dept. of Health  
 LABOR Dept. of Labor and Industries  
 DOT Dept. of Highways and Transportation  
 HEW Dept. of Mental Hygiene and Hospitals  
 DCAA Dept. of Military Affairs  
 HEW Dept. of Vocational Rehabilitation  
 HEW Dept. of Welfare and Institutions  
 HUD Division of State Planning and Community Affairs  
 COMM Marine Resources Commission  
 HUD Office of Administration  
 CSA Office of Economic Opportunity  
 DCPA Office of Emergency Services  
 EPA State Air Pollution Control Board  
 EPA State Water Control Board  
 INT Virginia Commission of Game and Inland Fisheries  
 INT Virginia Commission of Outdoor Recreation  
 NFAH Virginia Commission on the Arts and Humanities  
 LABOR Virginia Employment Commission  
 HEW Virginia State Library  
 INT Virginia Historic Landmarks Commission  
  
**Counties**  
 LABOR Arlington  
 EPA Chesterfield  
 LABOR Fairfax  
 HEW Henrico  
 HEW Pittsylvania  
 EPA Prince William  
 HEW Roanoke  
  
**Municipalities**  
 EPA Alexandria  
 HEW Chesapeake  
 EPA Hampton  
 HEW Lynchburg  
 HUD Newport News  
 HEW Norfolk  
 HEW Portsmouth  
 EPA Richmond  
 EPA Roanoke  
 HEW Virginia Beach  
  
**Washington**  
*State Agency*  
 EEOC Board Against Discrimination  
 AGRI Dept. of Agriculture  
 COMM Dept. of Commerce and Economic Development  
 EPA Dept. of Ecology  
 HEW Dept. of Education  
 DCPA Dept. of Emergency Services  
 LABOR Dept. of Employment Security  
 INT Dept. of Fisheries  
 INT Dept. of Game  
 HEW Dept. of Health  
 HEW Dept. of Institutions

LABOR Dept. of Labor and Industries  
 ACRI Dept. of Natural Resources  
 HEW Dept. of Public Assistance  
 DOT Dept. of Transportation  
 INT Dept. of Water Resources  
 HEW Division of Vocational Education  
 HEW Higher Education Facilities Commission  
 INT Interagency Committee for Outdoor Recreation  
 JUST Law Enforcement Officers Training Commission  
 DCAA Military Department  
 JUST Office of Attorney General  
 CSA Office of Economic Opportunity  
 HEW Office of Vocational Rehabilitation  
 LEAA Planning and Community Affairs  
 INT State Historic Preservation Officer  
 EPA State Water Pollution Control Commission  
 NFAH Washington State Arts Commission  
 HEW Washington State Library  
 DOT Washington Traffic Safety Commission  
  
**Counties**  
 HEW Benton  
 HEW Clark  
 HEW Cowlitz  
 HEW Grays Harbor  
 HEW King  
 HEW Kitsap  
 HEW Pierce  
 HEW Skagit  
 HEW Snohomish  
 HEW Spokane  
 HEW Thurston  
 HEW Watcom  
 HEW Yakima  
  
**Municipalities**  
 HEW Seattle  
 HEW Spokan  
 HUD Tacoma  
  
**West Virginia**  
*State Agency*  
 HEW Air Pollution Control Commission  
 HEW Board of Vocational Education  
 HEW Commission Aging  
 AGRI Dept. of Agriculture  
 DCPA Dept. of Civil and Defense Mobilization  
 INT Dept. of Culture & History  
 HEW Dept. of Education  
 LABOR Dept. of Employment Security  
 HEW Dept. of Social and Health Services  
 DOT Dept. of Highways  
 LABOR Dept. of Labor  
 HEW Dept. of Mental Health  
 INT Dept. of Natural Resources  
 HEW Dept. of Welfare  
 CSA Economic Opportunity Agency  
 LABOR Federal State Relations Office  
 HEW Health Planning Agency  
 DCPA Office of Emergency Services  
 HEW Office of Vocational Rehabilitation  
 DCAA State National Guard  
 NFAH West Virginia Arts and Humanities Council  
  
**Counties**  
 HEW Cabell  
 HEW Fayette  
 HEW Harrison  
 EPA Kanawha

HEW Logan  
HEW Marion  
HEW McDowell  
HEW Mercer  
HEW Monongalia  
EPA Ohio  
HEW Raleigh  
HEW Wood

**Municipalities**

EPA Charleston  
HUD Huntington  
HUD Wheeling

Wisconsin

**State Agency**

DCPA Administrative Division of  
Emergency Government  
HEW Board of Vocational, Technical and  
Adult Education  
AGRI Dept. of Agriculture  
HEW Dept. of Health and Social Services  
LABOR Dept. of Industry, Labor and  
Human Relations  
HUD Dept. of Local Affairs and  
Development  
DCAA Dept. of Military Affairs  
INT Dept. of Natural Resources  
HEW Dept. of Public Instruction  
DOT Dept. of Transportation  
NFAH Wisconsin Arts Board  
COMM State Planning Agency

**Counties**

HEW Brown  
HEW Dane  
HEW Dodge  
HEW Eau Claire  
HEW Fond du Lac  
HEW Jefferson  
HEW Kenosha  
HEW LaCrosse  
HEW Manitowoc  
HEW Marathon  
HUD Milwaukee  
HEW Outagamie  
HEW Racine  
HEW Rock  
HEW Sheboygan  
HEW Walworth  
HEW Waukesha  
HEW Winnebago  
HEW Wood

**Municipalities**

HEW Green Bay  
HEW Kenosha  
HEW Madison  
HEW Milwaukee  
EPA Racine  
HEW Wauwatosa  
HEW West Allis

Wisconsin

**State Agency**

HEW Board of Charities and Reform  
AGRI Dept. of Agriculture  
HUD Dept. of Economic Planning &  
Development  
HEW Dept. of Education  
EPA Dept. of Environmental Quality  
HEW Dept. of Health and Social Services  
DCPA Disaster and Civil Defense Agency  
LABOR Employment Security Commission  
INT Game and Fish Dept.  
LABOR Labor and Statistics

LABOR Manpower Planning  
CSA Office of State-Federal Relations  
INT Recreation Commission  
DOT Highway Department  
AGRI State Land Board  
DCAA State National Guard  
LABOR Workmen's Compensation  
NFAH Wyoming Council on the Arts

**Counties**

HEW Laramie

**Part IV—Federal Agencies Responsible for the Audit and Approval of Cost Allocation Plans of School District and Special Districts****Federal Agency and School Districts**

Department of Health, Education, &  
Welfare—All  
Special Districts  
Department of Health, Education, &  
Welfare—School Building, Hospital,  
Library, and Health  
Department of Transportation—Highway  
and Airport  
Environmental Protection Agency—  
Sewerage  
Department of the Interior—Park and  
Recreation  
Department of Housing and Urban  
Development—Housing and Urban  
Renewal  
Department of Commerce—Economic  
Development (Districts established by  
the Economic Development  
Administration)  
Department of Labor—CETA Consortiums  
Rural Concentrated Employee Programs

**Part V—Addresses of Federal Offices to Contact Regarding The Requirements of OMB Circular 74-4**

Each Federal agency responsible for auditing and approving cost allocation plans, indirect cost proposals and other cost center proposals prepared by States and localities under OMB Circular 74-4 has designated an office or offices which will carry out that responsibility. The offices and addresses for each agency are:

**Community Services Administration**

Office of the Comptroller, Community  
Services Administration, 1200 10th Street  
NW., Washington, D.C. 20500

**Department of Agriculture**

Director, Office of Management and Finance,  
U.S. Department of Agriculture, Room  
102A, Administration Bldg., 14th and  
Independence Avenue SW., Washington,  
D.C. 20250

**Department of Commerce**

Office of the Inspector General, Office of  
Audits, U.S. Department of Commerce, 14th  
and Constitution Avenue NW.,  
Washington, D.C. 20230

**Department of Defense**

DOD-DCAA: Defense Contract Audit  
Agency, Policy Formulation Division,  
Cameron Station, Alexandria, Virginia  
22314

IOD-DCPA: Defense Civil Preparedness  
Agency, COMP/AUD, Department of  
Defense, 1053 CWB, The Pentagon,  
Washington, D.C. 20301

**Department of Health, Education, and Welfare**

Attn: Director, Division of Cost Allocation,  
RASC

**For State and Local Agencies**

Rm. 1512, John Fitzgerald Kennedy Federal  
Bldg., Government Center, Boston, MA  
02203; Connecticut, Maine, Massachusetts,  
New Hampshire, Rhode Island, Vermont  
Rm. 3838, Federal Office Bldg., 28 Federal  
Plaza, New York, NY 10007; New Jersey,  
New York, Puerto Rico  
Rm. 11300, Gateway Bldg., 3535 Market  
Street, Philadelphia, PA 19101; Delaware,  
Maryland, Washington, D.C., West  
Virginia, Virginia  
Rm. 1504, Peachtree-Seventh Bldg., 101  
Marietta Towers, Atlanta, GA 30323;  
Alabama, Florida, Georgia, Kentucky,  
Mississippi, North Carolina, South  
Carolina, Tennessee  
29th Floor, 300 South Wacker Drive, Chicago,  
IL 60600; Illinois, Indiana, Michigan,  
Minnesota, Ohio, Wisconsin  
Rm. 830, 1200 Main Tower Bldg., Dallas, TX  
75202; Arkansas, Louisiana, Texas, New  
Mexico, Oklahoma  
Rm. 540, Federal Office Bldg., 601 East 12th  
Street, Kansas City, MO 64100; Iowa,  
Kansas, Missouri, Nebraska  
Rm. 1015, 19th Stout Street, Denver, CO  
80294; Colorado, Montana, North Dakota,  
South Dakota, Utah, Wyoming  
Rm. 411, Federal Office, Bldg., 50 United  
National Plaza, San Francisco, CA 94102;  
Arizona, California, Hawaii, Nevada  
Rm. 8523; Arcade Plaza Bldg., 1312 Second  
Avenue, Seattle, WA 98101; Alaska, Idaho,  
Oregon, Washington

**Department of Justice**

Director, Office of Internal Audit, Department  
of Justice, Chester A. Arthur Bldg., Rm.  
5031, 425 Eye Street NW., Washington, DC  
20530

**Department of Housing and Urban Development**

Attn: Regional Administrator, HUD Regional  
Office

**Region:**

I Room 405, John F. Kennedy Federal  
Building, Boston, MA 02203  
II 20 Federal Plaza; New York, NY 10007  
III Curtis Building, 6th and Walnut  
Streets, Philadelphia, PA 19100  
IV 211 Pershing Point Plaza, 1372  
Peachtree St. NE.  
V 300 South Wacker Drive, Chicago, IL  
60600  
VI New Dallas Federal Building, 1100  
Commerce Street, Dallas, TX 75202  
VII Federal Office Bldg., Room 300,  
Walnut Street, Kansas City, MO 64101  
VIII Federal Building, 1961 Stout Street,  
Denver, CO 80202  
IX 450 Golden Gate Avenue, P.O. Box  
36003, San Francisco, CA 94102  
X Room 220, Arcade Plaza Building,  
Seattle, WA 98101

**Department of the Interior**

Eastern Region Audit Manager, Office of  
Audit and Investigation, Department of the  
Interior, Ballston Towers #1, 800 N. Quincy  
Street, Rm. 401, Arlington, VA 22207

Central Regional Audit Manager, Office of  
Audit and Investigation, Department of the  
Interior, 1841 Wadsworth, Lakewood, CO  
80215

Western Regional Audit Manager, Office of  
Audit and Investigation, Department of the  
Interior, Federal Office Building, Rm.  
W2400, 2800 Cottage Way, Sacramento, CA  
95825

Government Comptroller for Guam/Trust  
Territory of the Pacific Islands, U.S.  
Department of the Interior, P.O. Box BJ,  
Agana, Guam 96910

Government Comptroller for the Virgin  
Islands, U.S. Department of the Interior,  
P.O. Box 7730, Charlotte Amalie, St.  
Thomas, Virgin Islands 00801

*Department of Labor*

Assistant Director, Office of Cost  
Determination, U.S. Department of Labor,  
Room 5030, 200 Constitution Avenue NW.,  
Washington, DC 20210

*Department of Transportation*

Office of Installations and Logistics, M-60,  
Room 9100 Nassif Building, Department of  
Transportation, 400 7th Street SW.,  
Washington, DC 20590

*Environmental Protection Agency*

Chief, Cost Review and Policy Branch,  
Environmental Protection Agency, 401 M  
Street SW., Room 711, Crystal Mall #2,  
Washington, DC 20460

*Law Enforcement Assistance Administration*

Comptroller, Law Enforcement Assistance  
Administration, Department of Justice, 633  
Indiana Avenue NW., Room 300,  
Washington, DC 20530

*National Endowment for the Arts*

Audit Officer, National Endowment for the  
Arts, Rm. W-729, 2401 E Street NW.,  
Washington, DC 20506

*National Endowment for the Humanities*

Audit Officer, Shoreham Building, 15th & H  
Streets, Rm. 807, Washington, DC 20506

*Veterans Administration*

Assistant Director for Accounting Systems  
(0471), Finance Service, Office of  
Controller, Veterans Administration, 810  
Vermont Avenue NW., Washington, DC  
20420

*Department of Energy*

Financial Assistance Policy, Procurement and  
Contracts Directorate, Department of  
Energy, Mail Stop 11030, Washington, DC  
20504

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**OFFICE OF MANAGEMENT AND BUDGET**
**Circular A-122, "Cost Principles for Nonprofit Organizations"**
**AGENCY:** Office of Management and Budget.

**ACTION:** Final Policy.

June 27, 1980

To The Heads of Executive Departments and Establishments

Subject: Cost principles for nonprofit organizations.

1. *Purpose.* This Circular establishes principles for determining costs of grants, contracts and other agreements with nonprofit organizations. It does not apply to colleges and universities which are covered by Circular A-21; State, local, and federally recognized Indian tribal governments which are covered by Circular 74-4; or hospitals. The principles are designed to provide that the Federal Government bear its fair share of costs except where restricted or prohibited by law. The principles do not attempt to prescribe the extent of cost sharing or matching on grants, contracts, or other agreements. However, such cost sharing or matching shall not be accomplished through arbitrary limitations on individual cost elements by Federal agencies. Provision for profit or other increment above cost is outside the scope of this Circular.

2. *Supersession.* This Circular supersedes cost principles issued by individual agencies for nonprofit organization.

3. *Applicability.* a. These principles shall be used by all Federal agencies in determining the costs of work performed by nonprofit organizations under grants, cooperative agreements, cost reimbursement contracts, and other contracts in which costs are used in pricing, administration, or settlement. All of these instruments are hereafter referred to as awards. The principles do not apply to awards under which an organization is not required to account to the Government for actual costs incurred.

b. All cost reimbursement subawards (subgrants, subcontracts, etc.) are subject to those Federal cost principles applicable to the particular organization concerned. Thus, if a subaward is to a nonprofit organization, this Circular shall apply; if a subaward is to a commercial organization, the cost principles applicable to commercial concerns shall apply; if a subaward is to a college or university, Circular A-21 shall apply; if a subaward is to a State,

local, or federally recognized Indian tribal government, Circular 74-4 shall apply.

4. *Definitions.* a. "Nonprofit organization" means any corporation, trust, association, cooperative, or other organization which (1) is operated primarily for scientific, educational, service, charitable, or similar purposes in the public interest; (2) is not organized primarily for profit; and (3) uses its net proceeds to maintain, improve, and/or expand its operations. For this purpose, the term "nonprofit organization" excludes (i) colleges and universities; (ii) hospitals; (iii) State, local, and federally recognized Indian tribal governments; and (iv) those nonprofit organizations which are excluded from coverage of this Circular in accordance with paragraph 5 below.

b. "Prior approval" means securing the awarding agency's permission in advance to incur cost for those items that are designated as requiring prior approval by the Circular. Generally this permission will be in writing. Where an item of cost requiring prior approval is specified in the budget of an award, approval of the budget constitutes approval of that cost.

5. *Exclusion of some nonprofit organizations.* Some nonprofit organizations, because of their size and nature of operations, can be considered to be similar to commercial concerns for purpose of applicability of cost principles. Such nonprofit organizations shall operate under Federal cost principles applicable to commercial concerns. A listing of these organizations is contained in Attachment C. Other organizations may be added from time to time.

6. *Responsibilities.* Agencies responsible for administering programs that involve awards to nonprofit organizations shall implement the provisions of this Circular. Upon request, implementing instructions shall be furnished to the Office of Management and Budget. Agencies shall designate a liaison official to serve as the agency representative on matters relating to the implementation of this Circular. The name and title of such representative shall be furnished to the Office of Management and Budget within 30 days of the date of this Circular.

7. *Attachments.* The principles and related policy guides are set forth in the following Attachments:

Attachment A—General Principles  
Attachment B—Selected Items of Cost  
Attachment C—Nonprofit Organizations Not Subject to This Circular

8. *Requests for exceptions.* The Office of Management and Budget may grant exceptions to the requirements of this Circular when permissible under existing law. However, in the interest of achieving maximum uniformity, exceptions will be permitted only in highly unusual circumstances.

9. *Effective Date.* The provisions of this Circular are effective immediately. Implementation shall be phased in by incorporating the provisions into new awards made after the start of the organization's next fiscal year. For existing awards the new principles may be applied if an organization and the cognizant Federal agency agree. Earlier implementation, or a delay in implementation of individual provisions is also permitted by mutual agreement between an organization and the cognizant Federal agency.

10. *Inquiries.* Further information concerning this Circular may be obtained by contacting the Financial Management Branch, Budget Review Division, Office of Management and Budget, Washington, D.C. 20503, telephone (202) 395-4773.

James T. McIntyre, Jr.  
Director.

[Circular No. A-122]

**Attachment A**
**General Principles**
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2. Simplified allocation method
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4. Direct allocation method
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[Circular No. A-122]

**Attachment A**
**General Principles**
**A. Basic Considerations.**

1. *Composition of total costs.* The total cost of an award is the sum of the allowable direct and allocable indirect costs less any applicable credits.

2. *Factors affecting allowability of costs.*

To be allowable under an award, costs must meet the following general criteria:

a. Be reasonable for the performance of the award and be allocable thereto under these principles.

b. Conform to any limitations or exclusions set forth in these principles or in the award as to types or amount of cost items.

c. Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the organization.

d. Be accorded consistent treatment.

e. Be determined in accordance with generally accepted accounting principles.

f. Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period.

g. Be adequately documented.

3. *Reasonable costs.* A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs. The question of the reasonableness of specific costs must be scrutinized with particular care in connection with organizations or separate divisions thereof which receive the preponderance of their support from awards made by Federal agencies. In determining the reasonableness of a given cost, consideration shall be given to:

a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award.

b. The restraints or requirements imposed by such factors as generally accepted sound business practices, arms length bargaining, Federal and State laws and regulations, and terms and conditions of the award.

c. Whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees, and clients, the public at large, and the Government.

d. Significant deviations from the established practices of the organization which may unjustifiably increase the award costs.

4. *Allocable costs.*

a. A cost is allocable to a particular cost objective, such as a grant, project, service, or other activity, in accordance with the relative benefits received. A cost is allocable to a Government award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:

(1) Is incurred specifically for the award.

(2) Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received.

(3) Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.

b. Any cost allocable to a particular award or other cost objective under these principles may not be shifted to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the award.

5. *Applicable credits.*

a. The term applicable credits refers to those receipts, or reduction of expenditures which operate to offset or reduce expenses items that are allocable to awards as direct or indirect costs. Typical examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing or received by the organization relate to allowable cost they shall be credited to the Government either as a cost reduction or cash refund as appropriate.

b. In some instances, the amounts received from the Federal Government to finance organizational activities or service operations should be treated as applicable credits. Specifically, the concept of netting such credit items against related expenditures should be applied by the organization in determining the rates or amounts to be charged to Federal awards for services rendered where the facilities or other resources used in providing such services have been financed directly, in whole or in part, by Federal funds.

(c) For rules covering program income (i.e., gross income earned from Federally supported activities) see Attachment D of OMB Circular A-110.

6. *Advance and understandings.* Under any given award the reasonableness and allocability of certain items of costs may be difficult to determine. This is particularly true in connection with organizations that receive a preponderance of their support from Federal agencies. In order to avoid subsequent disallowance or dispute based on unreasonableness or non-allocability, it is often desirable to seek a written agreement with the cognizant or awarding agency in advance of the incurrence of special or unusual costs. The absence of an advance agreement on any element of cost will not, in itself, affect the reasonableness or allocability of that element.

### B. Direct Costs

1. Direct costs are those that can be identified specifically with a particular final cost objective; i.e., a particular award, project, service, or other direct activity of an organization. However, a cost may not be assigned to an award as a direct cost if any other cost incurred for the same purpose, in like circumstance, has been allocated to an award as an indirect cost. Cost identified specifically with awards are direct cost of the awards and are to be assigned directly thereto. Cost identified specifically with other final cost objectives of the organization are direct costs of those cost objectives and are not to be assigned to other awards directly or indirectly.

2. Any direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where the account treatment for such cost is consistently applied to all final cost objectives.

3. The cost of certain activities are not allowable as charges to Federal awards (see, for example, fund raising costs in paragraph

21 of Attachment B). However, even though these costs are unallowable for purposes of computing charges to Federal awards, they nonetheless must be treated as direct cost for purposes of determining indirect cost rates and be allocated their share of the organization's indirect costs if they represent activities which (1) include the salaries of personnel, (2) occupy space, and (3) benefit from the organization's indirect costs.

4. The costs of activities performed primarily as a service to members, clients, or the general public when significant and necessary to the organization's mission must be treated as direct costs when or not allowable and be allocated an equitable share of indirect costs. Some examples of these types of activities include:

a. Maintenance of membership rolls, subscriptions, publications, and related functions.

b. Providing services and information to members, legislative or administrative bodies, or the public.

c. Promotion, lobbying, and other forms of public relations.

d. Meetings and conferences except those held to conduct the general administration of the organization.

5. Maintenance, protection, and investment of special funds not used in operation of the organization.

f. Administration of group benefits on behalf of members of clients including life and hospital insurance, annuity or retirement plans, financial aid, etc.

### C. Indirect Cost.

1. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. Direct cost of minor amounts may be treated as indirect costs under the conditions described in paragraph B.2. above. After direct costs have been determined and assigned directly to awards or other work as appropriate, indirect costs are those remaining to be allocated to benefiting cost objectives. A cost may not be allocated to an award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to an award as a direct cost.

2. Because of the diverse characteristics and accounting practices of nonprofit organizations, it is not possible to specify the types of cost which may be classified as indirect cost in all situations. However, typical examples of indirect cost for many nonprofit organizations may include depreciation or use allowances on buildings and equipment, the costs of operating and maintaining facilities, and general administration and general expenses, such as the salaries and expenses of executive officers, personnel administration, and accounting.

### D. Allocation of Indirect Cost and Determination of Indirect Cost Rates.

#### 1. General.

a. Where a nonprofit organization has only one major function, or where all its major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs and the

computation of an indirect cost rate may be accomplished through simplified allocation procedures as described in paragraph 2 below.

b. Where an organization has several major functions which benefit from its indirect costs in varying degrees, allocation of indirect costs may require the accumulation of such costs into separate cost groupings which then are allocated individually to benefiting functions by means of a base which best measures the relative degree of benefit. The indirect costs allocated to each function are then distributed to individual awards and other activities included in that function by means of an indirect cost rate(s).

c. The determination of what constitutes an organization's major functions will depend on its purpose in being; the types of services it renders to the public, its clients, and its members; and the amount of effort it devotes to such activities as fund raising, public information and membership activities.

d. Specific methods for allocating indirect costs and computing indirect cost rates along with the conditions under which each method should be used are described in paragraphs 2 through 5 below.

e. The base period for the allocation of indirect costs is the period in which such costs are incurred and accumulated for allocation work performed in that period. The base period normally should coincide with the organization's fiscal year, but in any event, shall be so selected as to avoid inequities in the allocation of the costs.

#### 2. Simplified allocation method.

a. Where an organization's major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs may be accomplished by (i) separating the organization's total costs for the base period as either direct or indirect, and (ii) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to individual awards. The rate should be expressed as the percentage which the total amount of allowable indirect costs bears to the base selected. This method should also be used where an organization has only one major function encompassing a number of individual projects or activities, and may be used where the level of Federal awards to an organization is relatively small.

b. Both the direct costs and the indirect costs shall exclude capital expenditures and unallowable costs. However, unallowable costs which represent activities must be included in the direct costs under the conditions described in paragraph B.3. above.

c. The distribution base may be total direct costs (excluding capital expenditures and other distorting items, such as major subcontracts or subgrants), direct salaries and wages, or other base which results in an equitable distribution. The distribution base shall generally exclude participant support costs as defined in paragraph 29 of Attachment B.

d. Except where a special rate(s) is required in accordance with paragraph D.5

below, the indirect cost rate developed under the above principles is applicable to all awards at the organization. If a special rate(s) is required, appropriate modifications shall be made in order to develop the special rate(s).

#### 3. Multiple allocation base method.

a. Where an organization's indirect costs benefit its major functions in varying degrees, such costs shall be accumulated into separate cost groupings. Each grouping shall then be allocated individually to benefiting functions by means of a base which best measures the relative benefits.

b. The groupings shall be established so as to permit the allocation of each grouping on the basis of benefits provided to the major functions. Each grouping should constitute a pool of expenses that are of like character in terms of the functions they benefit and in terms of the allocation base which best measures the relative benefits provided to each function. The number of separate groupings should be held within practical limits, taking into consideration the materiality of the amounts involved and the degree of precision desired.

c. Actual conditions must be taken into account in selecting the base to be used in allocating the expenses in each grouping to benefiting functions. When an allocation can be made by assignment of a cost grouping directly to the function benefited, the allocation shall be made in that manner. Where the expenses in a grouping are more general in nature, the allocation should be made through the use of a selected base which produces results that are equitable to both the Government and the organization. In general, any cost element or cost related factor associated with the organization's work is potentially adaptable for use as an allocation base provided (i) it can readily be expressed in terms of dollars or other quantitative measures (total direct costs, direct salaries and wages, staff hours applied, square feet used, hours of usage, number of documents processed, population served, and the like) and (ii) it is common to the benefiting functions during the base period.

d. Except where a special indirect cost rate(s) is required in accordance with paragraph D.5. below, the separate groupings of indirect costs allocated to each major function shall be aggregated and treated as a common pool for that function. The costs in the common pool shall then be distributed to individual awards included in that function by use of a single indirect cost rate.

e. The distribution base used in computing the indirect cost rate for each function may be total direct costs (excluding capital expenditures and other distorting items such as major subcontracts and subgrants), direct salaries and wages, or other base which results in an equitable distribution. The distribution base shall generally exclude participant support costs as defined in paragraph 29, Attachment B. An indirect cost rate should be developed for each separate indirect cost pool developed. The rate in each case should be stated as the percentage which the amount of the particular indirect cost pool is of the distribution base identified

with that pool.

#### 4. Direct allocation method.

a. Some nonprofit organizations, treat all costs as direct costs except general administration and general expenses. These organizations generally separate their costs into three basic categories: (i) General administration and general expenses, (ii) fund raising, and (iii) other direct functions (including projects performed under Federal awards). Joint costs, such as depreciation, rental costs, operation and maintenance of facilities, telephonic expenses, and the like are prorated individually as direct cost to each category and to each award, or other activity using a base most appropriate to the particular cost being prorated.

b. This method is acceptable provided each joint cost is prorated using a base which accurately measures the benefits provided to each award or other activity. The bases must be established in accordance with reasonable criteria, and be supported by current data. This method is compatible with the Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations issued jointly by the National Health Council, Inc., the National Assembly of Voluntary Health and Social Welfare Organizations, and the United Way of America.

c. Under this method, indirect costs consist exclusively of general administration and general expenses. In all other respects, the organization's indirect cost rates shall be computed in the same manner as that described in paragraph D.2 above.

5. Special indirect cost rates. In some instances, a single indirect cost rate for all activities of an organization or for each major function of the organization may not be appropriate, since it would not take into account those different factors which may substantially affect the indirect costs applicable to a particular segment of work. For this purpose, a particular segment of work may be that performed under a single award or it may consist of work under a group of awards performed in a common environment. The factors may include the physical location of the work, the level of administrative support required, the nature of the facilities or order resources employed, the scientific disciplines or technical skills involved, the organizational arrangements used, or any combination thereof. When a particular segment of work is performed in an environment which appears to generate a significantly different level of indirect costs, provisions should be made for a separate indirect cost pool applicable to such work. The separate indirect cost pool should be developed during the course of the regular allocation process, and the separate indirect cost rate resulting therefrom should be used provided it is determined that (i) the rate differs significantly from that which would have been obtained under paragraph D.2, 3, and 4 above, and (ii) the volume of work to which the rate would apply is material.

#### E. Negotiation and Approval of Indirect Cost Rates.

1. *Definitions.* As used in this section, the following terms have the meanings set forth below:

a. "Cognizant agency" means the Federal agency responsible for negotiating and approving indirect cost rates for a nonprofit organization on behalf of all Federal agencies.

b. "Predetermined rate" means an indirect cost rate, applicable to a specified current or future period, usually the organization's fiscal year. The rate is based on an estimate of the costs to be incurred during the period. A predetermined rate is not subject to adjustment.

c. "Fixed rate" means an indirect cost rate which has the same characteristics as a predetermined rate, except that the difference between the estimated costs and the actual costs of the period covered by the rate is carried forward as an adjustment to the rate computation of a subsequent period.

d. "Final rate" means an indirect cost rate applicable to a specified past period which is based on the actual costs of the period. A final rate is not subject to adjustment.

e. "Provisional rate" or billing rate means a temporary indirect cost rate applicable to a specified period which is used for funding, interim reimbursement, and reporting indirect costs on awards pending the establishment of a rate for the period.

f. "Indirect cost proposal" means the documentation prepared by an organization to substantiate its claim for the reimbursement of indirect costs. This proposal provides the basis for the review and negotiation leading to the establishment of an organization's indirect cost rate.

g. "Cost objective" means a function, organizational subdivision, contract, grant, or other work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, projects, jobs and capitalized projects.

## 2. *Negotiation and approval of rates.*

a. Unless different arrangements are agreed to by the agencies concerned, the Federal agency with the largest dollar value of awards with an organization will be designated as the cognizant agency for the negotiation and approval of indirect cost rates and, where necessary, other rates such as fringe benefit and computer charge-out rates. Once an agency is assigned cognizance for a particular nonprofit organization, the assignment will not be changed unless there is a major long-term shift in the dollar volume of the Federal awards to the organization. All concerned Federal agencies shall be given the opportunity to participate in the negotiation process, but after a rate has been agreed upon it will be accepted by all Federal agencies. When a Federal agency has reason to believe that special operating factors affecting its awards necessitate special indirect cost rates in accordance with paragraph D.5 above, it will, prior to the time the rates are negotiated, notify the cognizant agency.

b. A nonprofit organization which has not previously established an indirect cost rate with a Federal agency shall after the organization is advised that an award will be

made and, in no event, later than three months after the effective date of the award.

c. Organizations that have previously established indirect cost rates must submit a new indirect cost proposal to the cognizant agency within six months after the close of each fiscal year.

d. A predetermined rate may be negotiated for use on awards where there is reasonable assurance, based on past experience and reliable projection of the organization's costs, that the rate is not likely to exceed a rate based on the organization's actual costs.

e. Fixed rates may be negotiated where predetermined rates are not considered appropriate. A fixed rate, however, shall not be negotiated if (i) all or a substantial portion of the organization's awards are expected to expire before the carry-forward adjustment can be made; (ii) the mix of Government and non-government work at the organization is too erratic to permit an equitable carry-forward adjustment; or (iii) the organization's operations fluctuate significantly from year to year.

f. Provisional and final rates shall be negotiated where neither predetermined nor fixed rates are appropriate.

g. The results of each negotiation shall be formalized in a written agreement between the cognizant agency and the nonprofit organization. The cognizant agency shall distribute copies of the agreement to all concerned Federal agencies.

h. If a dispute arises in a negotiation of an indirect cost rate between the cognizant agency and the nonprofit organization, the dispute shall be resolved in accordance with the appeals procedures of the cognizant agency.

i. To the extent that problems are encountered among the Federal agencies in connection with the negotiation and approval process, the Office of Management and Budget will lead assistance as required to resolve such problems in a timely manner.

[Circular No. A-122]

## Attachment B

### Selected Items of Cost

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[Circular No. A-122]

## Attachment B

### Selected Items of Cost

Paragraphs 1 through 50 provide principles to be applied in establishing the allowability of certain items of cost. These principles apply whether a cost is treated as direct or indirect. Failure to mention a particular item of cost is not intended to imply that it is unallowable; rather determination as to allowability in each case should be based on the treatment or principles provided for similar or related items of cost.

#### 1. *Advertising costs.*

a. Advertising costs mean the costs of media services and associated costs. Media advertising includes magazines, newspapers, radio and television programs, direct mail, exhibits, and the like.

b. The only advertising costs allowable are those which are solely for (i) the recruitment of personnel when considered in conjunction with all other recruitment costs, as set forth in paragraph 40; (ii) the procurement of goods and services; (iii) the disposal of surplus materials acquired in the performance of the award except when organizations are reimbursed for disposals at a predetermined amount in accordance with Attachment N of OMB Circular A-110; or (iv) specific requirements of the award.

2. *Bad debts.* Bad debts, including losses (whether actual or estimated) arising from uncollectible accounts and other claims, related collection costs, and related legal costs, are unallowable.

#### 3. *Bid and proposal costs.* (reserved)

#### 4. *Bonding costs.*

a. Bonding costs arise when the Government requires assurance against financial loss to itself or others by reason of the act or default of the organization. They arise also in instances where the organization requires similar assurance. Included are such bonds as bid, performance, payment, advance payment, infringement, and fidelity bonds.

b. Costs of bonding required pursuant to the terms of the award are allowable.

c. Costs of bonding required by the organization in the general conduct of its operations are allowable to the extent that such bonding is in accordance with sound business practice and the rates and premiums are reasonable under the circumstances.

5. *Communication costs.* Costs incurred for telephone services, local and long distance telephone calls, telegrams, radiograms, postage and the like, are allowable.

0. *Compensation for personal services.*

a. *Definition.* Compensation for personal services includes all compensation paid currently or accrued by the organization for services of employees rendered during the period of the award (except as otherwise provided in paragraph g. below). It includes, but is not limited to, salaries, wages, director's and executive committee member's fees, incentive awards, fringe benefits, pension plan costs, allowances for off-site pay, incentive pay, location allowances, hardship pay, and cost of living differentials.

b. *Allowability.* Except as otherwise specifically provided in this paragraph the costs of such compensation are allowable to the extent that:

(1) Total compensation to individual employees is reasonable for the services rendered and conforms to the established policy of the organization consistently applied to both Government and non-Government activities; and

(2) Charges to awards when treated as direct or indirect costs are determined and supported as required in this paragraph.

c. *Reasonableness.*

(1) When the organization is predominantly engaged in activities other than those sponsored by the Government, compensation for employees on Government-sponsored work will be considered reasonable to the extent that it is consistent with that paid for similar work in the organization's other activities.

(2) When the organization is predominantly engaged in Government-sponsored activities and in cases where the kind of employees required for the Government activities are not found in the organization's other activities, compensation for employees on Government-sponsored work will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor markets in which the organization competes for the kind of employees involved.

d. *Special considerations in determining allowability.* Certain conditions require special consideration and possible limitations in determining costs under Federal awards where amounts or types of compensation appear unreasonable. Among such conditions are the following:

(1) Compensation to members of nonprofit

organizations, trustees, directors, associates, officers, or the immediate families thereof. Determination should be made that such compensation is reasonable for the actual personal services rendered rather than a distribution of earnings in excess of costs.

(2) Any change in an organization's compensation policy resulting in a substantial increase in the organization's level of compensation, particularly when it was concurrent with an increase in the ratio of Government awards to other activities of the organization or any change in the treatment of allowability of specific types of compensation due to changes in Government policy.

e. *Unallowable costs.* Costs which are unallowable under other paragraphs of this Attachment shall not be allowable under this paragraph solely on the basis that they constitute personal compensation.

f. *Fringe benefits.*

(1) Fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as vacation leave, sick leave, military leave, and the like, are allowable provided such costs are absorbed by all organization activities in proportion to the relative amount of time or effort actually devoted to each.

(2) Fringe benefits in the form of employer contributions or expenses for social security, employee insurance, workmen's compensation insurance, pension plan costs (see paragraph g. below), and the like, are allowable provided such benefits are granted in accordance with established written organization policies. Such benefits whether treated as indirect costs or as direct costs, shall be distributed to particular awards and other activities in a manner consistent with the pattern of benefits accruing to the individuals or group of employees whose salaries and wages are chargeable to such awards and other activities.

(3)(a) Provisions for a reserve under a self-insurance program for unemployment compensation or workmen's compensation are allowable to the extent that the provisions represent reasonable estimates of the liabilities for such compensation, and the types of coverage, extent of coverage, and rates and premiums would have been allowable had insurance been purchased to cover the risks. However, provisions for self-insured liabilities which do not become payable for more than one year after the provision is made shall not exceed the present value of the liability.

(b) Where an organization follows a consistent policy of expensing actual payments to, or on behalf of, employees or former employees for unemployment compensation or workmen's compensation, such payments are allowable in the year of payment with the prior approval of the awarding agency provided they are allocated to all activities of the organization.

(4) Costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibility are allowable only to the extent that the insurance represents additional compensation. The costs of such insurance when the organization is named as

beneficiary are unallowable.

g. *Pension plan costs.*

(1) Costs of the organization's pension plan which are incurred in accordance with the established policies of the organization are allowable, provided:

(a) Such policies meet the test of reasonableness;

(b) The methods of cost allocation are not discriminatory;

(c) The cost assigned to each fiscal year is determined in accordance with generally accepted accounting principles as prescribed in Accounting Principles Board Opinion No. 8 issued by the American Institute of Certified Public Accountants; and

(d) The costs assigned to a given fiscal year are funded for all plan participants within six months after the end of that year. However, increases to normal and past service pension costs caused by a delay in funding the actuarial liability beyond 30 days after each quarter of the year to which such costs are assignable are unallowable.

(2) Pension plan termination insurance premiums paid pursuant to the Employee Retirement Income Security Act of 1974 (Pub. L. 93-406) are allowable. Late payment charges on such premiums are unallowable.

(3) Excise taxes on accumulated funding deficiencies and other penalties imposed under the Employee Retirement Income Security Act are unallowable.

h. *Incentive compensation.* Incentive compensation to employees based on cost reduction, or efficient performance, suggestion awards, safety awards, etc., are allowable to the extent that the overall compensation is determined to be reasonable and such costs are paid or accrued pursuant to an agreement entered into in good faith between the organization and the employees before the services were rendered, or pursuant to an established plan followed by the organization so consistently as to imply, in effect, an agreement to make such payment.

i. *Overtime, extra pay shift, and multishift premiums.* See paragraph 27.

j. *Severance pay.* See paragraph 44.

k. *Training and education costs.* See paragraph 48.

l. *Support of salaries and wages.*

(1) Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports as prescribed in subparagraph (2) below, except when a substitute system has been approved in writing by the cognizant agency. (See paragraph E.2 of Attachment A)

(2) Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In addition, in order to support the allocation of indirect costs, such reports must also be maintained for other employees whose work involves two or more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of

the organization's indirect cost rate(s) (e.g., an employee engaged part-time in indirect cost activities and part-time in a direct function). Reports maintained by nonprofit organizations to satisfy these requirements must meet the following standards:

(a) The reports must reflect an *after-the-fact* determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.

(b) Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.

(c) The reports must be signed by the individual employee, or by a responsible supervisory official having first hand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.

(d) The reports must be prepared at least monthly and must coincide with one or more pay periods.

(3) Charges for the salaries and wages of nonprofessional employees, in addition to the supporting documentation described in subparagraphs (1) and (2) above, must also be supported by records indicating the total number of hours worked each day maintained in conformance with Department of Labor regulations implementing the Fair Labor Standards Act (29 CFR Part 510). For this purpose, the term "nonprofessional employee" shall have the same meaning as "nonexempt employee," under the Fair Labor Standards Act.

(4) Salaries and wages of employees used in meeting cost sharing or matching requirements on awards must be supported in the same manner as salaries and wages claimed for reimbursement from awarding agencies.

7. *Contingency provisions.* Contributions to a contingency reserve or any similar provision made for events the occurrence of which cannot be foretold with certainty as to time, intensity, or with an assurance of their happening, are unallowable. The term "contingency reserve" excludes self-insurance reserves (see paragraph 6.f.(3) and 10.a.(2), 4); pension funds (see paragraph 6.g); and reserves for normal severance pay (see paragraph 44.(b)(1)).

8. *Contributions.* Contributions and donations by the organization to others are unallowable.

9. *Depreciation and use allowances.*

a. Compensation for the use of buildings, other capital improvements, and equipment on hand may be made through use allowances or depreciation. However, except as provided in paragraph f. below a combination of the two methods may not be used in connection with a single class of fixed assets (e.g., buildings, office equipment, computer equipment, etc.).

b. The computation of use allowances or depreciation shall be based on the acquisition cost of the assets involved. The acquisition cost of an asset donated to the

organization by a third party shall be its fair market value at the time of the donation.

c. The computation of use allowances or depreciation will exclude.

(1) The cost of land;

(2) Any portion of the cost of buildings and equipment borne by or donated by the Federal Government irrespective of where title was originally vested or where it presently resides; and

(3) Any portion of the cost of buildings and equipment contributed by or for the organization in satisfaction of a statutory matching retirement.

d. Where the use allowance method is followed, the use allowance for buildings and improvement (including land improvements such as paved parking areas, fences, and sidewalks) will be computed at an annual rate not exceeding two percent of acquisition cost. The use allowance for equipment will be computed at an annual rate not exceeding six and two-thirds percent of acquisition cost. When the use allowance method is used for buildings, the entire building must be treated as a single asset; the building's components (e.g. plumbing system, heating and air conditioning, etc.) cannot be segregated from the building's shell. The two percent limitation, however, need not be applied to equipment which is merely attached or fastened to the building but not permanently fixed to it and which is used as furnishings or decorations or for specialized purposes (e.g., dentist chairs and dental treatment units, counters, laboratory benches bolted to the floor, dishwashers, carpeting, etc.). Such equipment will be considered as not being permanently fixed to the building if it can be removed without the need for costly or extensive alterations or repairs to the building or the equipment. Equipment that meets these criteria will be subject to the six and two-thirds percent equipment use allowance limitation.

e. Where depreciation method is followed, the period of useful service (useful life) established in each case for usable capital assets must take into consideration such factors as type of construction, nature of the equipment used, technological developments in the particular program area, and the renewal and replacement policies followed for the individual items or classes of assets involved. The method of depreciation used to assign the cost of an asset (or group of assets) to accounting periods shall reflect the pattern of consumption of the asset during its useful life. In the absence of clear evidence indicating that the expected consumption of the asset will be significantly greater or lesser in the early portions of its useful life than in the later portions, the straight-line method shall be presumed to be the appropriate method. Depreciation methods once used shall not be changed unless approved in advance by the cognizant Federal agency. When the depreciation method is introduced for application to assets previously subject to a use allowance, the combination of use allowances and depreciation applicable to such assets must not exceed the total acquisition cost of the assets. When the depreciation method is used for buildings, a building's shell may be

segregated from each building component (e.g., plumbing system, heating, and air conditioning system, etc.) and each item depreciated over its estimated useful life; or the entire building (i.e., the shell and all components) may be treated as a single asset and depreciated over a single useful life.

f. When the depreciation method is used for a particular class of assets, no depreciation may be allowed on any such assets that, under paragraph e. above, would be viewed as fully depreciated. However, a reasonable use allowance may be negotiated for such assets if warranted after taking into consideration the amount of depreciation previously charged to the Government, the estimated useful life remaining at time of negotiation, the effect of any increased maintenance charges or decreased efficiency due to age, and any other factors pertinent to the utilization of the asset for the purpose contemplated.

g. Charges for use allowances or depreciation must be supported by adequate property records and physical inventories must be taken at least once every two years (a statistical sampling basis is acceptable) to ensure that assets exist and are usable and needed. When the depreciation method is followed, adequate depreciation records indicating the amount of depreciation taken each period must also be maintained.

10. *Donations*

a. *Services received.*

(1) Donated or volunteer services may be furnished to an organization by professional and technical personnel, consultants, and other skilled and unskilled labor. The value of these services is not reimbursable either as a direct or indirect cost.

(2) The value of donated services utilized in the performance of a direct cost activity shall be considered in the determination of the organization's indirect cost rate(s) and, accordingly, shall be allocated a proportionate share of applicable indirect costs when the following circumstances exist:

(a) The aggregate value of the services is material;

(b) The services are supported by a significant amount of the indirect costs incurred by the organization;

(c) The direct cost activity is not pursued primarily for the benefit of the Federal Government.

(3) In those instances where there is no basis for determining the fair market value of the services rendered, the recipient and the cognizant agency shall negotiate an appropriate allocation of indirect cost to the services.

(4) Where donated services directly benefit a project supported by an award, the indirect costs allocated to the services will be considered as a part of the total costs of the project. Such indirect costs may be reimbursed under the award or used to meet cost sharing or matching requirements.

(5) The value of the donated services may be used to meet cost sharing or matching requirements under conditions described in Attachment E, OMB Circular No. A-110. Where donated services are treated as indirect costs, indirect cost rates will separate the value of the donation so that

reimbursement will not be made.

(6) Fair market value of donated services shall be computed as follows:

(a) *Rates for volunteer services.* Rates for volunteers shall be consistent with those regular rates paid for similar work in other activities of the organization. In cases where the kinds of skills involved are not found in the other activities of the organization, the rates used shall be consistent with those paid for similar work in the labor market in which the organization competes for such skills.

(b) *Services donated by other organizations.* When an employer donates the services of an employee, these services shall be valued at the employee's regular rate of pay (exclusive of fringe benefits and indirect costs) provided the services are in the same skill for which the employee is normally paid. If the services are not in the same skill for which the employee is normally paid, fair market value shall be computed in accordance with subparagraph (a) above.

b. *Goods and space.*

(1) Donated goods; i.e., expendable personal property/supplies, and donated use of space may be furnished to an organization. The value of the goods and space is not reimbursable either as a direct or indirect cost.

(2) The value of the donations may be used to meet cost sharing or matching share requirements under the conditions described in Attachment E, OMB Circular No. A-110. The value of the donations shall be determined in accordance with Attachment E. Where donations are treated as indirect costs, indirect cost rates will separate the value of the donations so that reimbursement will not be made.

11. *Employee morale, health, and welfare, costs and credits.* The costs of house publications, health or first-aid clinics, and/or infirmaries, recreational activities, employees' counseling services, and other expenses incurred in accordance with the organization's established practice or custom for the improvement of working conditions, employer-employee relations, employee morale, and employee performance are allowable. Such costs will be equitably apportioned to all activities of the organization. Income generated from any of these activities will be credited to the cost thereof unless such income has been irrevocably set over to employee welfare organizations.

12. *Entertainment costs.* Costs of amusement, diversion, social activities, ceremonials, and costs relating thereto, such as meals, lodging, rentals, transportation, and gratuities are unallowable (but see paragraphs 11 and 25).

13. *Equipment and other capital expenditures.*

a. As used in this paragraph, the following terms have the meanings set forth below:

(1) "Equipment" means an article of nonexpendable tangible personal property having a useful life of more than two years and an acquisition cost of \$500 or more per unit. An organization may use its own definition provided that it at least includes all nonexpendable tangible personal property as defined herein.

(2) "Acquisition cost" means the net invoice unit price of an item of equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Ancillary charges, such as taxes, duty, protective in-transit insurance, freight, and installation shall be included in or excluded from acquisition cost in accordance with the organization's regular written accounting practices.

(3) "Special purpose equipment" means equipment which is usable only for research, medical, scientific, or technical activities. Examples of special purpose equipment include microscopes, x-ray machines, surgical instruments, and spectrometers.

(4) "General purpose equipment" means equipment which is usable for other than research, medical, scientific, or technical activities, whether or not special modifications are needed to make them suitable for a particular purpose. Examples of general purpose equipment include office equipment and furnishings, air conditioning equipment, reproduction and printing equipment, motor vehicles, and automatic data processing equipment.

b. (1) Capital expenditures for general purpose equipment are unallowable as a direct cost except with the prior approval of the awarding agency.

(2) Capital expenditures for special purpose equipment are allowable as direct costs provided that items with a unit cost of \$1000 or more have the prior approval of the awarding agency.

c. Capital expenditures for land or buildings are unallowable as a direct cost except with the prior approval of the awarding agency.

d. Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior approval of the awarding agency.

e. Equipment and other capital expenditures are unallowable as indirect costs. However, see paragraph 9 for allowability of use allowances or depreciation on buildings, capital improvements, and equipment. Also, see paragraph 42 for allowability of rental costs for land, buildings, and equipment.

14. *Fines and penalties.* Costs of fines and penalties resulting from violations of, or failure of the organization to comply with Federal, State, and local laws and regulations are unallowable except when incurred as a result of compliance with specific provisions of an award or instructions in writing from the awarding agency.

15. *Fringe benefits.* See paragraph 6, f.

16. *Idle facilities and idle capacity.*

a. As used in this paragraph the following terms have the meanings set forth below:

(1) "Facilities" means land and buildings or any portion thereof, equipment individually or collectively, or any other tangible capital asset, wherever located, and whether owned or leased by the organization.

(2) "Idle facilities" means completely unused facilities that are excess to the organization's current needs.

(3) "Idle capacity" means the unused

capacity of partially used facilities. It is the difference between that which a facility could achieve under 100 percent operating time on a one-shift basis less operating interruptions resulting from time lost for repairs, setups, unsatisfactory materials, and other normal delays, and the extent to which the facility was actually used to meet demands during the accounting period. A multishift basis may be used if it can be shown that this amount of usage could normally be expected for the type of facility involved.

(4) "Costs of idle facilities or idle capacity" means costs such as maintenance, repair, housing, rent, and other related costs; e.g., property taxes, insurance, and depreciation or use allowances.

b. The costs of idle facilities are unallowable except to the extent that:

(1) They are unnecessary to meet fluctuations in workload; or

(2) Although not necessary to meet fluctuations in workload, they were necessary when acquired and are now idle because of changes in program requirements, efforts to achieve more economical operations, reorganization, termination, or other causes which could not have been reasonably foreseen. Under the exception stated in this subparagraph, costs of idle facilities are allowable for a reasonable period of time, ordinarily not to exceed one year, depending upon the initiative taken to use, lease, or dispose of such facilities (but see paragraphs 47.b. and d.).

c. The costs of idle capacity are normal costs of doing business and are a factor in the normal fluctuations of usage or indirect cost rates from period to period. Such costs are allowable, provided the capacity is reasonably anticipated to be necessary or was originally reasonable and is subject to reduction or elimination by subletting, renting, or sale, in accordance with sound business, economic, or security practices. Widespread idle capacity throughout an entire facility or among a group of assets having substantially the same function may be idle facilities.

17. *Independent research and development* [Reserved].

18. *Insurance and indemnification.*

a. Insurance includes insurance which the organization is required to carry, or which is approved, under the terms of the award and any other insurance which the organization maintains in connection with the general conduct of its operations. This paragraph does not apply to insurance which represents fringe benefits for employees (see paragraph 6, f. and 6, g.(2)).

(1) Costs of insurance required or approved, and maintained, pursuant to the award are allowable.

(2) Costs of other insurance maintained by the organization in connection with the general conduct of its operations are allowable subject to the following limitations.

(a) Types and extent of coverage shall be in accordance with sound business practice and the rates and premiums shall be reasonable under the circumstances.

(b) Costs allowed for business interruption or other similar insurance shall be limited to

exclude coverage of management fees.

(c) Costs of insurance or of any provisions for a reserve covering the risk of loss or damage to Government property are allowable only to the extent that the organization is liable for such loss or damage.

(d) Provisions for a reserve under a self-insurance program are allowable to the extent that types of coverage, extent of coverage, rates, and premiums would have been allowed had insurance been purchased to cover the risks. However, provision for known or reasonably estimated self-insured liabilities, which do not become payable for more than one year after the provision is made shall not exceed the present value of the liability.

(e) Costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibilities are allowable only to the extent that the insurance represents additional compensation (see paragraph 6). The cost of such insurance when the organization is identified as the beneficiary is unallowable.

(3) Actual losses which could have been covered by permissible insurance (through the purchase of insurance or a self-insurance program) are unallowable unless expressly provided for in the award, except:

(a) Costs incurred because of losses not covered under nominal deductible insurance coverage provided in keeping with sound business practice are allowable.

(b) Minor losses not covered by insurance, such as spoilage, breakage, and disappearance of supplies, which occur in the ordinary course of operations, are allowable.

(c) Indemnification includes securing the organization against liabilities to third persons and any other loss or damage, not compensated by insurance or otherwise. The Government is obligated to indemnify the organization only to the extent expressly provided in the award.

#### 19. Interest, fund raising, and investment management costs.

(a) Costs incurred for interest on borrowed capital or temporary use of endowment funds, however represented, are unallowable.

(b) Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable.

(c) Costs of investment counsel and staff and similar expenses incurred solely to enhance income from investments are unallowable.

(d) Fund raising and investment activities shall be allocated an appropriate share of indirect costs under the conditions described in paragraph B of Attachment A.

20. *Labor relations costs.* Costs incurred in maintaining satisfactory relations between the organization and its employees, including costs of labor management committees, employee publications, and other related activities are allowable.

21. *Losses on other awards.* Any excess of costs over income on any award is unallowable as a cost of any other award. This includes, but is not limited to, the organization's contributed portion by reason

of cost sharing agreements or any underrecoveries through negotiation of lump sums for, or ceilings on, indirect costs.

22. *Maintenance and repair cost.* Costs incurred for necessary maintenance, repair, or upkeep of buildings and equipment (including Government property unless otherwise provided for) which neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition, are allowable. Costs incurred for improvements which add to the permanent value of the buildings and equipment or appreciably prolong their intended life shall be treated as capital expenditures (see paragraph 13).

23. *Materials and supplies.* The costs of materials and supplies necessary to carry out an award are allowable. Such costs should be charged at their actual prices after deducting all cash discounts, trade discounts, rebates, and allowances received by the organization. Withdrawals from general stores or stockrooms should be charged at cost under any recognized method of pricing consistently applied. Incoming transportation charges may be a proper part of material cost. Materials and supplies charged as a direct cost should include only the materials and supplies actually used for the performance of the contract or grant, and due credit should be given for any excess materials or supplies retained, or returned to vendors.

#### 24. Meetings, conferences.

(a) Costs associated with the conduct of meetings, and conferences, and include the cost of renting facilities, meals, speakers' fees, and the like. But see paragraph 12, *Entertainment costs*, and paragraph 29, *Participant support costs*.

(b) To the extent that these costs are identifiable with a particular cost objective, they should be charged to that objective. (See paragraph B of Attachment A.) These costs are allowable provided that they meet the general tests of allowable, shown in Attachment A to this Circular.

(c) Costs of meetings and conferences held to conduct the general administration of the organization are allowable.

#### 25. Memberships, subscriptions, and professional activity costs.

(a) Costs of the organization's membership in civic, business, technical and professional organizations are allowable.

(b) Costs of the organization's subscriptions to civic, business, professional, and technical periodicals are allowable.

(c) Costs of attendance at meetings and conferences, sponsored by others when the primary purpose is the dissemination of technical information, are allowable. This includes costs of meals, transportation, and other items incidental to such attendance.

26. *Organization costs.* Expenditures, such as incorporation fees, brokers' fees; fees to promoters, organizers or management consultants, attorneys, accountants, or investment counselors, whether or not employees of the organization, in connection with establishment or reorganization of an organization, are unallowable except with prior approval of the awarding agency.

#### 27. Overtime, extra-pay shift, and

*multishift premiums.* Premiums for overtime, extra-pay shifts, and multishift work are allowable only with the prior approval of the awarding agency except:

(a) When necessary to cope with emergencies, such as those resulting from accidents, natural disasters, breakdowns of equipment, or occasional operational bottlenecks of a sporadic nature.

(b) When employees are performing indirect functions such as administration, maintenance, or accounting.

(c) In the performance of tests, laboratory procedures, or other similar operations which are continuous in nature and cannot reasonably be interrupted or otherwise completed.

(d) When lower overall cost to the Government will result.

28. *Page charges in professional journals.* Page charges for professional journal publications are allowable as a necessary part of research costs, where:

(a) The research papers report work supported by the Government; and

(b) The charges are levied impartially on all research papers published by the journal, whether or not by Government-sponsored authors.

29. *Participant support costs.* Participant support costs are direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with meetings, conferences, symposia, or training projects. These costs are allowable with the prior approval of the awarding agency.

#### 30. Patent costs.

(a) Costs of (i) preparing disclosures, reports, and other documents required by the award and of searching the art to the extent necessary to make such disclosures, (ii) preparing documents and any other patent costs in connection with the filing and prosecution of a United States patent application where title or royalty-free license is required by the Government to be conveyed to the Government, and (iii) general counseling services relating to patent and copyright matters, such as advice on patent and copyright laws, regulations, clauses, and employee agreements are allowable (but see paragraph 34).

(b) Cost of preparing disclosures, reports, and other documents and of searching the art to the extent necessary to make disclosures, if not required by the award, are unallowable. Costs in connection with (i) filing and prosecuting any foreign patent application, or (ii) any United States patent application, where the award does not require conveying title or a royalty free license to the Government, are unallowable (also see paragraph 43).

#### 31. Pension plans.

See paragraph 6, g.

32. *Plant security costs.* Necessary expenses incurred to comply with Government security requirements or for facilities protection, including wages, uniforms, and equipment of personnel are allowable.

33. *Preaward costs.* Preaward costs are those incurred prior to the effective date of the award directly pursuant to the

negotiation and in anticipation of the award where such costs is necessary to comply with the proposed delivery schedule or period of performance. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the award and only with the written approval of the awarding agency.

**34. Professional service costs.**

a. Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the organization, are allowable, subject to b, c, and d, of this paragraph when reasonable in relation to the services rendered and when not contingent upon recovery of the costs from the Government.

b. In determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors are relevant:

(1) The nature and scope of the service rendered in relation to the service required.

(2) The necessity of contracting for the service, considering the organization's capability in the particular area.

(3) The past pattern of such costs, particularly in the years prior to Government awards.

(4) The impact of Government awards on the organization's business (i.e., what new problems have arisen).

(5) Whether the proportion of Government work to the organization's total business is such as to influence the organization in favor of incurring the cost, particularly where the services rendered are not of a continuing nature and have little relationship to work under Government grants and contracts.

(6) Whether the service can be performed more economically by direct employment rather than contracting.

(7) The qualifications of the individual or concern rendering the service and the customary fees charged, especially on non-Government awards.

(8) Adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and terminal provisions).

c. In addition to the factors in paragraph b above, retainer fees to the allowable must be supported by evidence of bona fide services available or rendered.

d. Cost of legal, accounting, and consulting services, and related costs incurred in connection with defense of antitrust suits, and the prosecution of claims against the Government, are unallowable. Costs of legal, accounting and consulting services, and related costs, incurred in connection with patent infringement litigation, organization and reorganization, are unallowable unless otherwise provided for in the award (but see paragraph 47c).

**35. Profits and losses on disposition of depreciable property or other capital assets.**

a. (1) Gains and losses on sale, retirement, or other disposition of depreciable property shall be included in the year in which they occur as credits or charges to cost grouping(s) in which the depreciation applicable to such property was included. The amount of the

gain or loss to be included as a credit or charge to the appropriate cost grouping(s) shall be the difference between the amount realized on the property and the un depreciated basis of the property.

(2) Gains and losses on the disposition of depreciable property shall not be recognized as a separate credit or charge under the following conditions.

(a) The gain or loss is processed through a depreciation reserve account and is reflected in the depreciation allowable under paragraph 9.

(b) The property is given in exchange as part of the purchase price of a similar item and the gain or loss is taken into account in determining the depreciation cost basis of the new item.

(c) A loss results from the failure to maintain permissible insurance, except as otherwise provided in paragraph 18.a.(3).

(d) Compensation for the use of the property was provided through use allowances in lieu of depreciation in accordance with paragraph 9.

(e) Gains and losses arising from mass or extraordinary sales, retirements, or other dispositions shall be considered on a case-by-case basis.

b. Gains or losses of any nature arising from the sale or exchange of property other than the property covered in paragraph a. above shall be excluded in computing award costs.

**36. Public information service costs.**

a. Public information service costs include the cost associated with pamphlets, news releases, and other forms of information services. Such costs are normally incurred to:

(1) Inform or instruct individuals, groups, or the general public.

(2) Interest individuals or groups in participating in a service program of the organization.

(3) Disseminate the results of sponsored and non-sponsored activities.

b. Public information service costs are allowable as direct costs with the prior approval of the awarding agency. Such costs are unallowable as indirect costs.

**37. Publication and printing costs.**

a. Publication costs include the costs of printing (including the processes of composition, plate-making, press work, binding, and the end products produced by such processes), distribution, promotion, mailing, and general handling.

b. If these costs are not identifiable with a particular cost objective, they should be allocated as indirect costs to all benefiting activities of the organization.

c. Publication and printing costs are unallowable as direct costs except with the prior approval of the awarding agency.

d. The cost of page charges in journals is addressed paragraph 20.

**38. Rearrangement and alteration costs.**

Costs incurred for ordinary or normal rearrangement and alteration of facilities are allowable. Special arrangement and alteration costs incurred specifically for the project are allowable with the prior approval of the awarding agency.

39. **Reconversion costs.** Costs incurred in the restoration or rehabilitation of the organization's facilities to approximately the

same condition existing immediately prior to commencement of Government awards, fair wear and tear excepted, are allowable.

40. **Recruiting costs.** The following recruiting costs are allowable: cost of "help wanted" advertising, operating costs of an employment office, costs of operating an educational testing program, travel expenses including food and lodging of employees while engaged in recruiting personnel, travel costs of applicants for interviews for prospective employment, and relocation costs incurred incident to recruitment of new employees (see paragraph 41c). Where the organization uses employment agencies, costs not in excess of standard commercial rates for such services are allowable.

**41. Relocation costs.**

a. Relocation costs are costs incident to the permanent change of duty assignment for an indefinite period or for a stated period of not less than 12 months) of an existing employee or upon recruitment of a new employee. Relocation costs are allowable, subject to the limitation described in paragraphs b, c, and d, below, provided that:

(1) The move is for the benefit of the employer.

(2) Reimbursement to the employee is in accordance with an established written policy consistently followed by the employer.

(3) The reimbursement does not exceed the employee's actual (or reasonably estimated) expenses.

b. Allowable relocation costs for current employees are limited to the following:

(1) The costs of transportation of the employee, members of his immediate family and his household, and personal effects to the new location.

(2) The costs of finding a new home, such as advance trips by employees and spouses to locate living quarters and temporary lodging during the transition period, up to a maximum period of 30 days, including advance trip time.

(3) Closing costs, such as brokerage, legal, and appraisal fees, incident to the disposition of the employee's former home. These costs, together with those described in (4) below, are limited to 8 per cent of the sales price of the employee's former home.

(4) The continuing costs of ownership of the vacant former home after the settlement or lease date of the employee's new permanent home, such as maintenance of buildings and grounds (exclusive of fixing up expenses), utilities, taxes, and property insurance.

(5) Other necessary and reasonable expenses normally incident to relocation, such as the costs of cancelling an unexpired lease, disconnecting and reinstalling household appliances, and purchasing insurance against loss of or damages to personal property. The cost of cancelling an unexpired lease is limited to three times the monthly rental.

c. Allowable relocation costs for new employees are limited to those described in (1) and (2) of paragraph b. above. When relocation costs incurred incident to the recruitment of new employees have been allowed either as a direct or indirect cost and the employee resigns for reasons within his

control within 12 months after hire, the organization shall refund or credit the Government for its share of the cost. However, the costs of travel to an overseas location shall be considered travel costs in accordance with paragraph 50 and not relocation costs for the purpose of this paragraph if dependents are not permitted at the location for any reason and the costs do not include costs of transporting household goods.

d. The following costs related to relocation are unallowable:

(1) Fees and other costs associated with acquiring a new home.

(2) A loss on the sale of a former home.

(3) Continuing mortgage principal and interest payments on a home being sold.

(4) Income taxes paid by an employee related to reimbursed relocation costs.

#### 42. Rental costs.

a. Subject to the limitations described in paragraphs b. through d. of this paragraph, rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and the type, life expectancy, condition, and value of the property leased.

b. Rental costs under sale and leaseback arrangements are allowable only up to the amount that would be allowed had the organization continued to own the property.

c. Rental costs under less-than-length leases are allowable only up to the amount that would be allowed had title to the property vested in the organization. For this purpose, a less-than-arms-length lease is one under which one party to the lease agreement is able to control or substantially influence the actions of the other. Such leases include, but are not limited to those between (i) divisions of an organization; (ii) organizations under common control through common officers, directors, or members; and (iii) an organization and a director, trustee, officer, or key employee of the organization or his immediate family either directly or through corporations, trusts, or similar arrangements in which they hold a controlling interest.

d. Rental costs under leases which create a material equity in the leased property are allowable only up to the amount that would be allowed had the organization purchased the property on the date the lease agreement was executed; e.g., depreciation or use allowances, maintenance, taxes, insurance but excluding interest expense and other unallowable costs. For this purpose, a material equity in the property exists if the lease is noncancelable or is cancelable only upon the occurrence of some remote contingency and has one or more of the following characteristics:

(1) The organization has the right to purchase the property for a price which at the beginning of the lease appears to be substantially less than the probable fair market value at the time it is permitted to purchase the property (commonly called a lease with a bargain purchase option);

(2) Title to the property passes to the organization at some time during or after the lease period;

(3) The term of the lease (initial term plus

periods covered by bargain renewal options, if any) is equal to 75 per cent or more of the economic life of the leased property; i.e., the period the property is expected to be economically usable by one or more users.

#### 43. Royalties and other costs for use of patents and copyrights.

a. Royalties on a patent or copyright or amortization of the cost of acquiring by purchase a copyright, patent, or rights therein necessary for the proper performance of the award are allowable unless:

(1) The Government has a license or the right to free use of the patent or copyright.

(2) The patent or copyright has been adjudicated to be invalid, or has been administratively determined to be invalid.

(3) The patent or copyright is considered to be unenforceable.

(4) The patent or copyright is expired.

b. Special care should be exercised in determining reasonableness where the royalties may have been arrived at as a result of less than arm's length bargaining; e.g.:

(1) Royalties paid to persons, including corporations, affiliated with the organization.

(2) Royalties paid to unaffiliated parties, including corporations, under an agreement entered into in contemplation that a Government award would be made.

(3) Royalties paid under an agreement entered into after an award is made to an organization.

c. In any case involving a patent or copyright formerly owned by the organization, the amount of royalty allowed should not exceed the cost which would have been allowed had the organization retained title thereto.

#### 44. Severance pay.

a. Severance pay, also commonly referred to as dismissal wages, is a payment in addition to regular salaries and wages, by organizations to workers whose employment is being terminated. Costs of severance pay are allowable only to the extent that in each case, it is required by (i) law, (ii) employer-employee agreement, (iii) established policy that constitutes, in effect, an implied agreement on the organization's part, or (iv) circumstances of the particular employment.

b. Costs of severance payments are divided into two categories as follows:

(1) Actual normal turnover severance payments shall be allocated to all activities; or, where the organization provides for a reserve for normal severances such method will be acceptable if the charge to current operations is reasonable in light of payments actually made for normal severances over a representative past period, and if amounts charged are allocated to all activities of the organization.

(2) Abnormal or mass severance pay is of such a conjectural nature that measurement of costs by means of an accrual will not achieve equity to both parties. Thus, accruals for this purpose are not allowable. However, the Government recognizes its obligation to participate to the extent of its fair share, in any specific payment. Thus, allowability will be considered on a case-by-case basis in the event of occurrence.

#### 45. Specialized service facilities.

a. The costs of services provided by highly

complex or specialized facilities operated by the organization, such as electronic computers and wind tunnels, are allowable provided the charges for the services meet the conditions of either b. or c. of this paragraph and, in addition, take into account any items of income or Federal financing that qualify as applicable credits under paragraph A.5. of Attachment A.

b. The costs of such services, when material, must be charged directly to applicable awards based on actual usage of the services on the basis of a schedule of rates or established methodology that (i) does not discriminate against federally supported activities of the organization, including usage by the organization for internal purposes, and (ii) is designed to recover only the aggregate costs of the services. The costs of each service shall consist normally of both its direct costs and its allocable share of all indirect costs. Advance agreements pursuant to paragraph A.6. of Attachment A are particularly important in this situation.

c. Where the costs incurred for a service are not material, they may be allocated as Indirect costs.

#### 46. Taxes.

a. In general, taxes which the organization is required to pay and which are paid or accrued in accordance with generally accepted accounting principles, and payments made to local governments in lieu of taxes which are commensurate with the local government services received are allowable, except for (i) taxes from which exemptions are available to the organization directly or which are available to the organization based on an exemption afforded the Government and in the latter case when the awarding agency makes available the necessary exemption certificates, (ii) special assessments on land which represent capital improvements, and (iii) Federal income taxes.

b. Any refund of taxes, and any payment to the organization of interest thereon, which were allowed as award costs, will be credited either as a cost reduction or cash refund, as appropriate, to the Government.

47. Termination costs. Termination of awards generally gives rise to the incurrence of costs, or the need for special treatment of costs, which would not have arisen had the award not been terminated. Cost principles covering these items are set forth below. They are to be used in conjunction with the other provisions of this Circular in termination situations.

a. Common items. The cost of items reasonably usable on the organization's other work shall not be allowable unless the organization submits evidence that it would not retain such items at cost without sustaining a loss. In deciding whether such items are reasonably usable on other work of the organization, the awarding agency should consider the organization's plans and orders for current and scheduled activity.

Contemporaneous purchases of common items by the organization shall be regarded as evidence that such items are reasonably usable on the organization's other work. Any acceptance of common items as allocable to the terminated portion of the award shall be limited to the extent that the quantities of

such items on hand, in transit, and on order are in excess of the reasonable quantitative requirements of other work.

b. *Costs continuing after termination.* If in a particular case, despite all reasonable efforts by the organization, certain costs cannot be discontinued immediately after the effective date of termination, such costs are generally allowable within the limitations set forth in this Circular, except that any such costs continuing after termination due to the negligent or willful failure of the organization to discontinue such costs shall be unallowable.

c. *Loss of useful value.* Loss of useful value of special tooling, machinery and equipment which was not charged to the award as a capital expenditure is generally allowable if:

(1) Such special tooling, machinery, or equipment is not reasonably capable of use in the other work of the organization.

(2) The interest of the Government is protected by transfer of title or by other means deemed appropriate by the awarding agency.

d. *Rental costs.* Rental costs under unexpired leases are generally allowable where clearly shown to have been reasonably necessary for the performance of the terminated award less the residual value of such leases, if (i) the amount of such rental claimed does not exceed the reasonable use value of the property leased for the period of the award and such further period as may be reasonable, and (ii) the organization makes all reasonable efforts to terminate, assign, settle, or otherwise reduce the cost of such lease. There also may be included the cost of alterations of such leased property, provided such alterations were necessary for the performance of the award, and of reasonable restoration required by the provisions of the lease.

e. *Settlement expenses.* Settlement expenses including the following are generally allowable:

(1) Accounting, legal, clerical, and similar costs reasonably necessary for:

(a) The preparation and presentation to awarding agency of settlement claims and supporting data with respect to the terminated portion of the award, unless the termination is for default. (See paragraph 4.a. of Attachment L, OMB Circular No. A-110; and

(b) The termination and settlement of subawards.

(2) Reasonable costs for the storage, transportation, protection, and disposition of property provided by the Government or acquired or produced for the award; except when grantees are reimbursed for disposals at a predetermined amount in accordance with Attachment N of OMB Circular A-110.

(3) Indirect costs related to salaries and wages incurred as settlement expenses in subparagraphs (1) and (2) of this paragraph. Normally, such indirect costs shall be limited to fringe benefits, occupancy cost, and immediate supervision.

f. *Claims under subawards.* Claims under subawards, including the allocable portion of claims which are common to the award, and to other work of the organization are generally allowable. An appropriate share of

the organization's indirect expense may be allocated to the amount of settlements with subcontractor/subgrantees; provided that the amount allocated is otherwise consistent with the basic guidelines contained in Attachment A. The indirect expense so allocated shall exclude the same and similar costs claimed directly or indirectly as settlement expenses.

#### 48. *Training and education costs.*

a. Costs of preparation and maintenance of a program of instruction including but not limited to on-the-job, classroom, and apprenticeship training, designed to increase the vocational effectiveness of employees, including training materials, textbooks, salaries or wages of trainees (excluding overtime compensation which might arise therefrom), and (i) salaries of the director of training and staff when the training program is conducted by the organization; or (ii) tuition and fees when the training is in an institution not operated by the organization, are allowable.

b. Costs of part-time education, at an undergraduate or postgraduate college level, including that provided at the organization's own facilities, are allowable only when the course or degree pursued is relative to the field in which the employee is now working or may reasonably be expected to work, and are limited to:

(1) Training materials.

(2) Textbooks.

(3) Fees charged by the educational institution.

(4) Tuition charged by the educational institution, or in lieu of tuition, instructors' salaries and the related share of indirect costs of the educational institution to the extent that the sum thereof is not in excess of the tuition which would have been paid to the participating educational institution.

(5) Salaries and related costs of instructors who are employees of the organization.

(6) Straight-time compensation of each employee for time spent attending classes during working hours not in excess of 150 hours per year and only to the extent that circumstances do not permit the operation of classes or attendance at classes after regular working hours; otherwise such compensation is unallowable.

c. Costs of tuition, fees, training materials, and textbooks (but not subsistence, salary, or any other emoluments) in connection with full-time education, including that provided at the organization's own facilities, at a postgraduate (but not undergraduate) college level, are allowable only when the course or degree pursued is related to the field in which the employee is now working or may reasonably be expected to work, and only where the costs receive the prior approval of the awarding agency. Such costs are limited to the costs attributable to a total period not to exceed one school year for each employee so trained. In unusual cases the period may be extended.

d. Costs of attendance of up to 10 weeks per employee per year at specialized programs specifically designed to enhance the effectiveness of executives or managers or to prepare employees for such positions are allowable. Such costs include enrollment

fees, training materials, textbooks and related charges, employees' salaries, subsistence, and travel. Costs allowable under this paragraph do not include those for courses that are part of a degree-oriented curriculum, which are allowable only to the extent set forth in b. and c. above.

e. Maintenance expense, and normal depreciation or fair rental, on facilities owned or leased by the organization for training purposes are allowable to the extent set forth in paragraphs 9, 22, and 42.

f. Contributions or donations to educational or training institutions, including the donation of facilities or other properties, and scholarships or fellowships, are unallowable.

g. Training and education costs in excess of those otherwise allowable under paragraphs b. and c. of this paragraph may be allowed with prior approval of the awarding agency. To be considered for approval, the organization must demonstrate that such costs are consistently incurred pursuant to an established training and education program, and that the course or degree pursued is relative to the field in which the employee is now working or may reasonably be expected to work.

49. *Transportation costs.* Transportation costs include freight, express, cartage, and postage charges relating either to goods purchased, in process, or delivered. These costs are allowable. When such costs can readily be identified with the items involved, they may be directly charged as transportation costs or added to the cost of such items (see paragraph 27). Where identification with the materials received cannot readily be made, transportation costs may be charged to the appropriate indirect cost accounts if the organization follows a consistent, equitable procedure in this respect.

#### 50. *Travel costs.*

a. Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the organization. Travel costs are allowable subject to paragraphs b. through e. below, when they are directly attributable to specific work under an award or are incurred in the normal course of administration of the organization.

b. Such costs may be charged on an actual basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used results in charges consistent with those normally allowed by the organization in its regular operations.

c. The difference in cost between first-class air accommodations and less than first-class air accommodations is unallowable except when less than first-class air accommodations are not reasonably available to meet necessary mission requirements, such as where less than first-class accommodations would (i) require circuitous routing, (ii) require travel during unreasonable hours, (iii) greatly increase the duration of the flight, (iv) result in additional costs which would offset the transportation savings, or (v) offer accommodations which

are not reasonably adequate for the medical needs of the traveler.

d. Necessary and reasonable costs of family movements and personnel movements of a special or mass nature are allowable, pursuant to paragraphs 40 and 41, subject to allocation on the basis of work or time period benefited when appropriate. Advance agreements are particularly important.

e. Direct charges for foreign travel costs are allowable only when the travel has received prior approval of the awarding agency. Each separate foreign trip must be approved. For purposes of this provision, foreign travel is defined as any travel outside of Canada and the United States and its territories and possessions. However, for an organization located in foreign countries, the term "foreign travel" means travel outside that country.

[Circular No. A-122]

#### Attachment C

#### Nonprofit Organizations not Subject to this Circular

Aerospace Corporation, El Segundo, California  
 Argonne Universities Association, Chicago, Illinois  
 Associated Universities, Incorporated, Washington, D.C.  
 Associated Universities for Research and Astronomy, Tucson, Arizona  
 Atomic Casualty Commission, Washington, D.C.  
 Battelle Memorial Institute, Headquartered in Columbus, Ohio  
 Brookhaven National Laboratory, Upton, New York  
 Center for Energy and Environmental Research (CEER), (University of Puerto Rico)  
 Commonwealth of Puerto Rico, Charles Stark Draper Laboratory, Incorporated Cambridge, Massachusetts, Comparative Animal Research Laboratory (CARL) (University of Tennessee), Oakridge, Tennessee  
 Environmental Institute of Michigan, Ann Arbor, Michigan  
 Hanford Environmental Health Foundation, Richland, Washington  
 IIT Research Institute, Chicago, Illinois  
 Institute for Defense Analysis, Arlington, Virginia  
 Institute of Gas Technology, Chicago, Illinois  
 Midwest Research Institute, Headquartered in Kansas City, Missouri  
 Mitre Corporation, Bedford, Massachusetts  
 Montana Energy Research and Development Institute, Inc., (MERDI), Butte, Montana  
 National Radiological Astronomy Observatory, Green Bank, West Virginia  
 Oakridge Associated Universities, Oakridge, Tennessee  
 Project Management Corporation, Oakridge, Tennessee  
 Rand Corporation, Santa Monica, California  
 Research Triangle Institute, Research Triangle Park, North Carolina  
 Riverside Research Institute, New York, New York  
 Sandia Corporation, Albuquerque, New Mexico

Southern Research Institute, Birmingham, Alabama  
 Southwest Research Institute, San Antonio, Texas

SRI International, Menlo Park, California  
 Syracuse Research Corporation, Syracuse, New York

Universities Research Association, Incorporated (National Acceleration Lab), Argonne, Illinois

Universities Corporation for Atmospheric Research, Boulder, Colorado

Nonprofit Insurance Companies such as Blue Cross and Blue Shield Organizations  
 Other nonprofit organizations as negotiated with awarding agencies.

[FR Doc. 80-20270 Filed 7-7-80; 8:45 am]

BILLING CODE 3110-01-M

#### Editorial Corrections to OMB A-122

#### OFFICE OF MANAGEMENT AND BUDGET

#### Circular A-122, "Cost Principles for Nonprofit Organizations"; Correction

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

**ACTION:** Final policy correction.

**SUMMARY:** This notice corrects errors in the printing of cost principles for nonprofit organizations. (45 FR 46022, July 8, 1980).

**FOR FURTHER INFORMATION CONTACT:** Palmer Marcantonio, Financial Management Branch, Office of Management and Budget, Washington, D.C. 20503, (202) 395-4773.

• Page 46022, column 2 the second Paragraph 1, change Paragraph 5 "Compensation for Personnel Services" to Paragraph 6.

• Page 46022, column 2 the second Paragraph 2, change Paragraph 6 "Contingencies" to Paragraph 7.

• Page 46022, column 3: Paragraph 4, change Paragraph 31, "Equipment and Other Capital Expenditures" to Paragraph 13.

• Paragraph 5, change Paragraph 26 "Meetings" to Paragraph 24.

• Paragraph 6, change Paragraph 27, "Organization Costs" to Paragraph 20.

• Paragraph 7, change Paragraph 30 "Page charges in Professional Journals" to Paragraph 26.

• Paragraph 8, change paragraph 37 "Public Information Service Costs" to Paragraph 36.

• Paragraph 9, change Paragraph 43 "Rental Costs" to Paragraph 42.

• Paragraph 9a: in the fourth line, add "up"; between the words "only" and "to"; in the sixth line change "they" to "it".

• Paragraph 10, change Paragraph 51 "Travel Costs" to Paragraph 50.

• Page 46024, column 3 Paragraph 4(a)(2) after "benefits received" add "; or".

• Page 46025, column 1 Paragraph B3, change the reference "Paragraph 21 of Attachment B" to "Paragraph 19 of Attachment B."

• Page 46026, column 1 Paragraph 4a.iii, in the sixth line, change "direct cost" to "direct costs."

• Page 46026, column 2 Paragraph E1e, change "establishment of a rate" to "establishment of a final rate."

• Page 46026, column 3 Paragraph E2b, in the third line add the following after "a Federal agency shall"—"submit its initial indirect cost proposal immediately."

• Page 46027, column 3 Paragraph (3)(a), change "workmen's compensation" to "workers' compensation."

• Page 46028, column 1 Paragraph 6f3(b), (the second line of column 1) change "Workmen's compensation" to "workers' compensation."

• Page 46030, column 3, paragraph 24b., the sixth line, change "allowable" to "allowability".

Daniel F. Mann,

*Budget and Management Officer.*

[FR Doc. 81-8073 Filed 3-18-81; 8:45 am]

BILLING CODE 3110-01-M

#### Circular A-122, "Cost Principles for Nonprofit Organizations"

#### Correction

In FR Doc. 81-20270, appearing at page 46022 in the issue of Tuesday, July 8, 1980, the following changes should be made:

1. On page 46024, column three, the second sentence in paragraph A.5.b. should read, "Specifically, the concept of netting such credit items against related expenditures should be applied by the organization in determining the rates or amounts to be charged to Federal awards for services rendered whenever the facilities or other resources used in providing such services have been financed directly, in whole or in part, by Federal funds."

2. On page 46024, column three, the second complete sentence in paragraph A.6. should read, "This is particularly true in connection with organizations that receive a preponderance of their support from Federal agencies."

3. On page 46025, column one, paragraph B.2. should read, "2. Any direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where the accounting treatment for such cost is consistently applied to all final cost objectives."

4. On page 46025, column one, paragraph B.4.f. should read, "f. Administration of group benefits on behalf of members or clients including life and hospital insurance, annuity or retirement plans, financial aid, etc."

5. On page 46025, column two, the first sentence in paragraph D.1.e. should read, "The base period for the allocation of indirect costs is the period in which such costs are incurred and accumulated for allocation to work performed in that period."

6. On page 46026, column one, the second sentence in paragraph D.3.d should read, "The costs in the common pool shall then be distributed to individual awards included in that function by use of a single indirect cost rate."

7. On page 46026, column one, the first sentence in paragraph D.3.e. should read, "The distribution based used in computing the indirect cost rate for each function may be total direct costs (excluding capital expenditures and other distorting items such as major subcontracts and subgrants), direct salaries and wages, or other base which results in an equitable distribution."

8. On page 46026, column one, the first and second sentences in paragraph D.4.a. should read, "Some nonprofit organizations treat all costs as direct costs except general administration and general expenses. These organizations generally separate their costs into three basic categories: \* \* \*."

9. On page 46026, the last sentence in column one (extending to column two), in paragraph D.5. should read, "The factors may include the physical location of the work, the level of administrative support required, the nature of the facilities or other resources employed, the scientific disciplines or technical skills involved, the organizational arrangements used, or any combination thereof."

10. On page 46026, column three, paragraph E.2.i. should read, "i. To the extent that problems are encountered among the Federal agencies in connection with the negotiation and approval process, the Office of Management and Budget will lend assistance as required to resolve such problems in a timely manner."

11. On page 46030, column one, the introductory text of paragraph 16.b. and paragraph 16.b.(1) should read, "b. The costs of idle facilities are unallowable except to the extent that: (1) They are necessary to meet fluctuations in workload; or"

12. On page 46030, column one, the second sentence in paragraph 16.c.

should read, "Such costs are allowable, provided the capacity is reasonably anticipated to be necessary or was originally reasonable and is not subject to reduction or elimination by subletting, renting, or sale, in accordance with sound business, economics or security practices."

13. On page 46031, second column, paragraph 34.c. should read, "In addition to the factors in paragraph b. above, retainer fees to be allowable must be supported by evidence of bona fide services available or rendered."

BILLING CODE 1505-01-M

Certification of a Non-Profit Corporation's ability to administer grants and/or contracts from the State of Alaska.

- A. All organizations submitting applications for State funding under the provisions in this chapter shall establish a Certification of Eligibility for Funding with the Department of Administration. The original certification information shall be submitted to the Department of Administration when the letter of intent (see section .040 of this chapter) is sent to the funding department.
- B. The certification information shall include the following:
  - 1) The corporation's Articles of Incorporation as filed with the State Department of Commerce;
  - 2) The corporation's by-laws;
  - 3) A copy of the IRS tax-status determination letter;
  - 4) A copy of the current Personnel Policies and Procedures;
  - 5) A letter from an independent CPA certifying that the corporation's accounting system provides adequate internal controls to allow reasonable assurance as to the safeguarding of assets and the reliability of financial records for preparing financial statements and maintaining accountability for assets;
  - 6) Proof of adequate liability and bonding insurance;
  - 7) A list of key management personnel including the contact person for any questions on the certification of information.
- C. This certification is to be reviewed and renewed annually by the Department of Administration upon submission by the corporation of one of the following:
  - 1) A statement that nothing has occurred to materially change the previously submitted information.
  - 2) A statement (with appropriate documentation) indicating what changes have occurred since the prior certification.
- D. This Certification process is to be performed annually through the Department of Administration and is intended to be in lieu of similar requests and certification on the part of individual departments. Any verification or certification related strictly to programmatic areas shall continue to be part of the application process as defined in this chapter.

H

B

6

18

COMMITTEE REPORT

HOUSE

6/23/51

FURTHER: FINANCE

(3)

Date: 7/18/51

Mr. Speaker:

The Committee on STATE AFFAIRS has had HB 618

"An Act relating to state aid to municipalities for capital projects; and providing for an effective date."

under consideration and reports it back as follows:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for HB 618  same title  
 new title
- and recommends \_\_\_\_\_
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

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CHAIRMAN

A M E N D M E N T

#4

TO: HB 618

By Metcalfe

Page 2, lines 21 - 24:

Delete all material and insert:

"Appropriations to the account shall be distributed as authorized in AS 29.96.010."

Page 3, lines 4 - 15:

Delete all material and insert:

"\* Sec. 2. This Act takes effect July 1, 1982."

A M E N D M E N T

43

TO: HB 618

By Metcalfe

Page 1, line 15:

Delete "at the discretion of the municipality" and insert "approved by the voters in accordance with (e) of this section"

Page 2, line 6:

After "spent" insert "if approved by the voters"

Page 2, line 8:

After "project" insert "approved by the voters"

Page 2, line 11:

After "purpose" insert "and that has been approved by the voters in accordance with (e) of this section"

Page 2, following line 11, insert:

"(e) Before money from an entitlement under this section may be used for a capital project, the qualified voters of the municipality must approve the proposed capital project at a regular or special election held for the purpose. Each proposed capital project shall be submitted to the voters and voted on separately from other proposed capital projects, except that construction of more than one facility to

be used for identical purposes may be submitted to the voters as one proposed capital project. At the same time that a proposed capital project is submitted to the voters the question shall be submitted whether, if the proposed capital project is not approved, money from an entitlement under this section planned to be used for the proposed capital project shall be

(1) reserved for use on another capital project; or

(2) used to pay bonded indebtedness of the municipality that has been previously approved by the voters and is outstanding on the date of the election held under this section."

A M E N D M E N T

#2

TO: HB 618

By Metcalfe

Page 1, line 15, after "municipality." insert:

"However, money from an entitlement may not be obligated for a capital project until it has been ~~received~~ by the municipality."

*allocated to*

A M E N D M E N T

#1

TO: HB 618

By Metcalfe

Page 1, line 15:

Delete "at the discretion of the municipality" and insert "approved by the voters in accordance with (e) of this section"

Page 2, line 6:

After "spent" insert "if approved by the voters"

Page 2, line 8:

After "project" insert "approved by the voters"

Page 2; line 11:

After "purpose" insert "and that has been approved by the voters in accordance with (e) of this section"

Page 2, following line 11, insert:

"(e) Before money from an entitlement under this section may be used for a capital project, the qualified voters of the municipality must approve the proposed capital project at a regular or special election held for the purpose. Each proposed capital project shall be submitted to the voters and voted on separately from other proposed capital projects, except that construction of more than one facility to

be used for identical purposes may be submitted to the voters as one capital project."



December 9, 19981

Honorable Ray Metcalfe  
Representative  
Alaska State Legislature  
Committee on State Affairs  
600 W. 41st Street, Suite 201A  
Anchorage, Alaska 99503

Dear Representative Metcalfe:

On behalf of the City of Kodiak, I would like to express support of House Bill 618 and HJR 66. By passage of these items of proposed legislation, Alaska municipalities would greatly benefit and receive funding assistance on a permanent basis for capital projects. As I am sure you are probably aware, the construction costs of capital projects and improvements have been increasing at a very rapid rate, especially in Kodiak. Consequently, some very necessary capital projects do not materialize due to a lack of funds to accomplish same. Our community is growing; however, due to increased costs, it is becoming more difficult to provide for and meet the needs of growth and development. With this in mind, the Kodiak City Council passed and approved Resolution 56-81, copy enclosed, supporting House Bill 618 at their meeting of November 30, 1981.

If the City of Kodiak can offer further support or input on these pieces of legislation, please do not hesitate to contact me.

Sincerely,

CITY OF KODIAK

WILLIAM C. BIVIN  
City Manager

WCB/LKG/tnw

Enclosure

CITY OF KODIAK  
RESOLUTION 56-81

A RESOLUTION OF THE CITY OF KODIAK EXPRESSING SUPPORT OF HOUSE BILL 618, "STATE AID TO MUNICIPALITIES FOR CAPITAL PROJECTS".

WHEREAS, the passage of House Bill 618 would allocate funds to Alaskan municipalities for capital projects computed in accordance with the stated formula for entitlement; and

WHEREAS, funds for the program outlined in HB 618 would be made available through the passage of HJR 66 proposing an amendment to the Constitution of the State of Alaska which would dedicate on a permanent basis the proceeds from an increase in the State severance tax on oil or gas production to all organized municipalities on an equal per capita basis for municipal purposes; and

WHEREAS, construction costs for capital projects throughout Alaska and, more specifically, Kodiak, have increased at a very rapid rate.

NOW, THEREFORE, BE IT RESOLVED by the Kodiak City Council that the City of Kodiak hereby expresses support of House Bill 618, "An Act relating to State aid to municipalities for capital projects", and encourages passage of same.

PASSED AND APPROVED this 30<sup>th</sup> day of November, 1981.

CITY OF KODIAK

Alan Bradley  
MAYOR

ATTEST:

Ray M. Baker  
CITY CLERK

# HAINES BOROUGH

P.O. BOX H  
HAINES, ALASKA 99827

September 24, 1981

The Honorable Ray Metcalfe  
Chairman House State Affairs  
Committee  
Interim Office  
600 W. 41st, Suite 201A  
Anchorage, Ak. 99503

Dear Representative Metcalfe,

Thank you for giving me an opportunity to comment on House Bill 618.

At first reading the bill seems to be fair to everyone since the distribution of funds is based on population. However, in rethinking through this bill, together with the results I have seen with our funding of the Dankworth Bill, I see things a little differently - at least from the point of view of the small municipality.

Let me use the Haines Borough as an example. We have a population of 687 outside of the City limits. If the full Dankworth funds were to be paid, we would have received only \$687,000. This is not enough for many kinds of capital improvements. Currently we are building a swimming pool at 1.7 million and a new school at Mosquito Lake at 1.5 million. It so happened we were able to use our Dankworth funds to add a locker and shower room to the swimming pool already under construction. Otherwise, it would have been hard to find use for the approximately \$367,000 which was the Haines Borough's entitlement.

One suggestion I have for your bill would be a method to allow a municipality to accumulate several years of payments until they have enough for a major capital improvement project. Either the municipality or the State could put the yearly funds on deposit to accumulate interest, thus, speeding up the time frame for the project to begin.

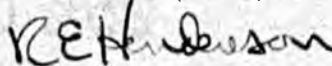
Page Two  
Representative Metcalfe

September 24, 1981

Another fault I find with the bill at least as it applies to the Haines Borough, is that all of the money we collect for those who live outside the city goes for educational facilities that are used by all - both those in the city and those outside the city. However, the city spends its money for the benefit of the city residents only. This is a very difficult problem and at present I see no way to resolve it.

I believe others, especially those in small municipalities, should have an opportunity to voice their views at a public hearing.

Sincerely yours,



R. E. Henderson  
Mayor

REH;kk



Unique - even in Alaska!

THE CITY OF WHITTIER

22 October 1981

Rep. Ray Metcalfe, Chairman  
House State Affairs Committee  
600 W. 41st Avenue Suite 201A  
Anchorage, Alaska 99503

Re: House Bill 618

Dear Ray:

The City of Whittier supports the general concept of House Bill 618. However, it would be more equitable for the formula suggested for A.S. §29.96.010(b) to read as follows:

$$\frac{(A - (M \times N \times W))}{TP} \times P + M = \text{entitlement}$$

where

M = some minimum allowance regardless of population. (The state may wish to require that this minimum allowance be matched by the municipality for eligibility.)

N = the number of eligible municipalities



Letter to Rep. Ray Metcalfe · 22 October 1981

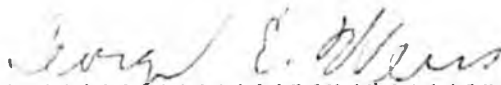
W = a weighting factor less than or equal to one determined by the expectancy of meeting of qualifications for entitlement to any portion of the minimum allowance which may require matching or some other minimum qualification.

And where all other variables are the same as set forth in House Bill 618 as introduced on 23 June 1981.

The reason for this need for a change is that population is not the only proxy for the need of a community for capital improvement. In fact, population could well be inequitable for small communities where the demonstrated benefit per capital improvement dollar per person is less than for large population centers.

The minimum figure would be relatively inconsequential for a large municipality but could make a big difference for a small community.

Sincerely,



---

George E. Weiss, Whittier City Manager

cc: Senator Mike Colletta  
Whittier City Council  
Planning and Zoning Commission

# CITY OF SKAGWAY

GATEWAY TO THE GOLD RUSH OF "98"

P. O. BOX 415 SKAGWAY, ALASKA 99840

October 5, 1981

Representative Ray Metcalfe, Chairman  
House State Affairs Committee  
600 W. 41st/Suite 201A  
Anchorage, Alaska 99503

Dear Representative Metcalfe:

The Skagway City Council discussed HB618 "State Aid to Municipalities for Capital Projects" at its October 1, 1981 meeting. After some discussion, the Council voted to support public hearings on HB618. The Council recognizes the greater flexibility and ease with which funds are <sup>get</sup> "out onto the streets" when planned and administered locally rather than at the State level. However, there was some concern that smaller communities might be forgotten concerning the very large capital projects if too many funds are administered locally. Also, there is some sentiment that a differential cost-of-construction factor should be added to the distribution formula reflecting the very high capital projects cost in the bush communities. At any rate, Skagway supports the holding of public hearings on HB618 in order that these issues might be discussed.

Sincerely,

*Skip Elliott*  
Skip Elliott - 983 2297  
City Manager 943 2248



# CITY OF NOME

P.O. BOX 281 - NOME, ALASKA 99762  
TELEPHONE (907) 443-5242

September 14, 1981

Representative Ray Metcalfe  
Committee on State Affairs  
600 W 41st, Suite 201A  
Anchorage, Alaska 99503

Dear Representative Metcalfe:

Thank you for sending me a copy of HB 618.

I have one comment I'd like to make regarding your bill. Sec. 29.96.020 Determination of Population., is according to the latest figures of the Federal Census. As you are aware, those figures are wrong in many areas of the State. They are already a year and a half old and will be completely wrong within several years.

The City of Nome and other cities and boroughs are working on a new census with strict criteria designed by the Dept. of Community & Regional Affairs.

I would suggest that all future legislation be tied to the Federal census or an updated census approved by the State.

Thank you for the opportunity to comment.

Sincerely,

*Ivan L. Widom*  
Ivan L. Widom  
City Manager

cc: Senator Ferguson  
Representative Fuller  
Mayor & Council





# Matanuska-Susitna Borough

BOX B. PALMER, ALASKA 99645 • PHONE 745-3246

BOROUGH ASSEMBLY

October 15, 1981

Representative Ray Metcalf, Chairman  
House State Affairs Committee  
600 West 41st Street  
Anchorage, Alaska 99503

Dear Representative Metcalf:

Thank you very much for furnishing the Matanuska-Susitna Borough with copies of House Bill 618 "State Aid to Municipalities for Capital Projects".

Your bill would be an improvement over the current law in that it gives local governments greater control over local government capital projects within their geographic boundaries. This means that we can plan better, the public can participate in the development of our capital improvement program more effectively and we will be able to schedule work better. Further, it would reduce the chances of a veto by the governor on a specific project which may be high on the priorities of the local government.

The formula contained in this bill should provide more equality between urban and remote areas of the State which does not always exist under the current law. As you are aware, urban areas many times fare less generously than do remote areas of the State in capital improvement legislation.

The language in Section 2 of the bill affecting Alaska Statute 29.96.030 is an improvement over current law as it makes the appropriation of funds to municipalities mandatory rather than permissive.

This legislation, although it provides several improvements over existing law, nonetheless leaves local governments with the dilemma of being able to project in a reasonable manner the income that will be available to them from the State for constructing capital projects. This is particularly critical where the capital projects are large enough that they logically should be constructed in phases that span more than one year. It is desirable that a method be achieved to afford local governments the ability to project their income for capital purposes for a few years in advance. This would then allow local governments to plan effectively and to budget their capital dollars in a manner that is consistent with achieving maximum benefits to their citizens from those dollars.

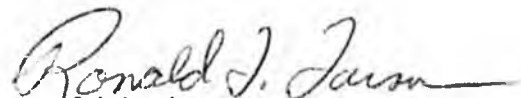
We note that your bill permits local governments to pass through funds to a non-profit corporation for public purposes of the non-profit

corporation. This is similar to SB 168. Different municipal attorneys have interpreted this language in different ways. Some have said that this language grants powers to local governments to carry on, through the non-profit corporation, functions which they could not otherwise carry out. Others say it is not a grant of an additional power. This ambiguity should be eliminated.

We will be very interested in public hearings on this piece of legislation if response to your correspondence is sufficient to generate those public hearings. Again, thank you for your consideration in mailing us advance copies of this bill.

The Assembly has reviewed this letter and has asked that these comments be furnished to you.

Sincerely,

  
Ronald L. Larson  
Borough Mayor

GT:er

cc: Borough Manager  
Finance Department

Hollis Henrichs, Mayor

Perry D. Lovett, Manager  
Donna M. Sherby, Clerk / Treasurer

Council Members  
Ken Van Brocklin  
Don Narrance  
Jay Hynum  
Dick Grott  
R.J. Kopchak  
Ed Maxwell



Box 1210 602 Railroad Avenue  
Cordova, Alaska 99574  
Phone: (907) 424-3237  
or 424-3238

REC'D SEP 21 1981

September 16, 1981

Representative Ray Metcalfe, Chair  
House State Affairs Committee  
600 W. 41st., Suite 201A  
Anchorage, AK 99503

Dear Representative Metcalfe:

We have had the opportunity to review proposed HB 618, and it gave rise to a couple of comments and questions.

First, Cordova strongly disagrees with basing the population figures on the "latest figures of the U.S. Bureau of Census." These figures were collected by individuals making \$5.35/hour in a bush community where the average wage is near \$12.00/hour and the results of the census, again, proves you get what you pay for.

This summer, the City conducted a census under the direction of the State Demographer using the same criteria as the U.S. Census enumerators used, and the population figures increased from 1879 to 2223. These figures do not take into account the influx of fishing-generated personnel which our community must provide services for over a 4 to 6 month period. The Alaska Municipal League will sponsor a bill, to correct this inequity, which we hope you too will sponsor. I have dwelled at length on the subject of determining population as this is the very heart of the matter of the proposed formula.

Second, why shouldn't severance tax on coal be included in Section 4? Within the next several years, coal exports may approach oil and gas.

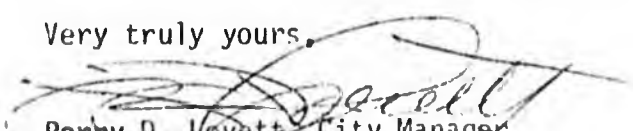
Section 1.(3)[d] pass through to non-profits bothers me. Almost anyone can form a non-profit corporation with any benevolent sounding name including spin-off of long-recognized service organizations. These shaky non-profits could very well glean off a great deal of State dollars before they are put out of business. I suggest either much tighter language or elimination of non-profit organization from the bill.

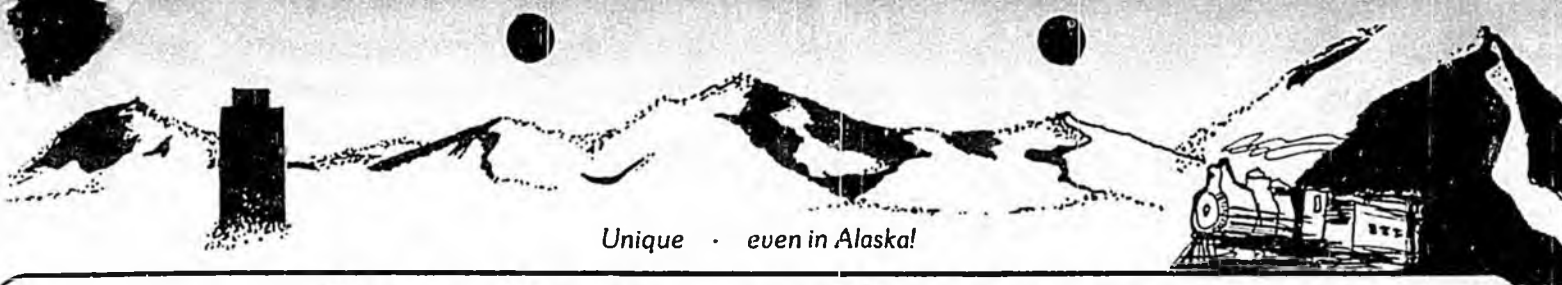
Also, Section 1 (c) should be revised to resolution only. Ordinances are cumbersome and must be incorporated in the codified codes of the municipalities.

With these changes, I believe the bill has considerable merit in dedicating a portion of the severance tax for the funding of capital projects. As I understand, municipalities would still be able to go to the legislature for specific capital projects.

If I can be of further assistance, please call.

Very truly yours,

  
Perry D. Lovett, City Manager



Unique · even in Alaska!

THE CITY OF WHITTIER

22 October 1981

Rep. Ray Metcalfe, Chairman
House State Affairs Committee
600 W. 41st Avenue Suite 201A
Anchorage, Alaska 99503

Re: House Bill 618

Dear Ray:

The City of Whittier supports the general concept of House Bill 618. However, it would be more equitable for the formula suggested for A.S. §29.96.010(b) to read as follows:

(A - (M x N x W))
----- x P + M = entitlement
TP

where

M = some minimum allowance regardless of population. (The state may wish to require that this minimum allowance be matched by the municipality for eligibility.)

N = the number of eligible municipalities

Letter to Rep. Ray Metcalfe - 22 October 1981

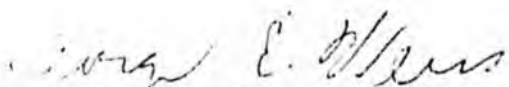
W = a weighting factor less than or equal to one determined by the expectancy of meeting of qualifications for entitlement to any portion of the minimum allowance which may require matching or some other minimum qualification.

And where all other variables are the same as set forth in House Bill 618 as introduced on 23 June 1981.

The reason for this need for a change is that population is not the only proxy for the need of a community for capital improvement. In fact, population could well be inequitable for small communities where the demonstrated benefit per capital improvement dollar per person is less than for large population centers.

The minimum figure would be relatively inconsequential for a large municipality but could make a big difference for a small community.

Sincerely,

  
-----  
George E. Weiss, Whittier City Manager

cc: Senator Mike Colletta  
Whittier City Council  
Planning and Zoning Commission



# Matanuska-Susitna Borough

BOX B. PALMER, ALASKA 99645 • PHONE 745-3246

BOROUGH ASSEMBLY

October 15, 1981

Representative Ray Metcalf, Chairman  
House State Affairs Committee  
600 West 41st Street  
Anchorage, Alaska 99503

Dear Representative Metcalf:

Thank you very much for furnishing the Matanuska-Susitna Borough with copies of House Bill 618 "State Aid to Municipalities for Capital Projects".

Your bill would be an improvement over the current law in that it gives local governments greater control over local government capital projects within their geographic boundaries. This means that we can plan better, the public can participate in the development of our capital improvement program more effectively and we will be able to schedule work better. Further, it would reduce the chances of a veto by the governor on a specific project which may be high on the priorities of the local government.

The formula contained in this bill should provide more equality between urban and remote areas of the State which does not always exist under the current law. As you are aware, urban areas many times fare less generously than do remote areas of the State in capital improvement legislation.

The language in Section 2 of the bill affecting Alaska Statute 29.96.030 is an improvement over current law as it makes the appropriation of funds to municipalities mandatory rather than permissive.

This legislation, although it provides several improvements over existing law, nonetheless leaves local governments with the dilemma of being able to project in a reasonable manner the income that will be available to them from the State for constructing capital projects. This is particularly critical where the capital projects are large enough that they logically should be constructed in phases that span more than one year. It is desirable that a method be achieved to afford local governments the ability to project their income for capital purposes for a few years in advance. This would then allow local governments to plan effectively and to budget their capital dollars in a manner that is consistent with achieving maximum benefits to their citizens from those dollars.

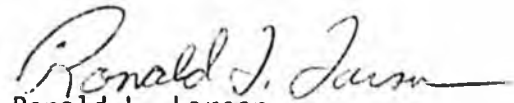
We note that your bill permits local governments to pass through funds to a non-profit corporation for public purposes of the non-profit

corporation. This is similar to SB 168. Different municipal attorneys have interpreted this language in different ways. Some have said that this language grants powers to local governments to carry on, through the non-profit corporation, functions which they could not otherwise carry out. Others say it is not a grant of an additional power. This ambiguity should be eliminated.

We will be very interested in public hearings on this piece of legislation if response to your correspondence is sufficient to generate those public hearings. Again, thank you for your consideration in mailing us advance copies of this bill.

The Assembly has reviewed this letter and has asked that these comments be furnished to you.

Sincerely,



Ronald L. Larson  
Borough Mayor

GT:er

cc: Borough Manager  
Finance Department



# Matanuska-Susitna Borough

BOX B, PALMER, ALASKA 99645 • PHONE 745-4801

DEPARTMENT OF ADMINISTRATION

February 18, 1982

The Honorable Ray Metcalfe  
Representative  
State of Alaska  
Juneau, Alaska 99811

Re: House Bill 618

Dear Ray:

I wanted you to know that your labors on behalf of local government finance are not unappreciated.

We, in the Matanuska-Susitna Borough, have studied HB 618. Several of us, who are on the Legislative Policy Committee of the Alaska Municipal League, have spent quite a bit of time on it. The people on the Legislative Policy Committee are Assemblypersons Edna Armstrong, Robert Barry, and myself.

We have not seen fit to comment on HB 618 at this time, because we wanted first to see what type of position the Board of Directors of the Alaska Municipal League might take with respect to the bill. If the AML's views are close to ours, we would subscribe to the AML position.

I was surprised at the amount of consensus which was readily achieved at the Legislative Policy Committee with respect to your bill. Just about everybody, who had occasion to speak on the bill, thought that it was a good bill. There were representatives from small rural communities in our group and they had a particular interest in Senate Bill 129 introduced by Senators Sturgelewski and Stimpson. Nearly all of us who came from non-rural situations, thought that Senate Bill 129 was aimed at the unorganized borough and even with respect to unorganized boroughs was probably not an appropriate vehicle for communities like Cordova, Valdez, Dillingham, etc.

REC'D FEB 22 1982

The Honorable Ray Metcalfe  
February 18, 1962

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So, basically, our committee was looking at two different approaches to revenue sharing -- one that would cover the boroughs and cities and the other which would cover native villages.

#### Per Capita Distribution of Capital Improvement Monies

Speaking for myself, and perhaps not for the Assembly of the Matanuska-Susitna Borough, I am skeptical of any revenue sharing measure approach that does not depend largely on per capita distribution. Here, in the Matanuska-Susitna Borough, we have about five percent of the State's population and, under the terms of your bill, would receive about five percent of the state revenue sharing money. I do not think that this is too far off, if roads are handled as a separate program as they have been in the past.

#### Assessed Valuation (Tax Base) Per Capita

One adjustment to your formula that was generally favored by members of the Legislative Policy Committee was an adjustment to reflect assessed valuation per capita. This adjustment would reduce revenue sharing for local governments having a very large tax base per capita generally in the form of oil wells, the Alaska pipeline, feeder lines, oil platforms, tanks, oil loading facilities, bunkhouses, refineries, etc. and would give more to the local governments with a low assessed valuation per capita, such as a local government which has very little industry or little commercial development. The Municipality of Anchorage, which has very little industry, but a substantial amount of major commercial development, would probably be right in the middle with an adjustment of this kind. The attached article from the February 15, 1982 DAILY NEWS on "Kenai Peninsula War Rages Over Rich Nikiski Oil Tax Base" highlights some of the factors that enter a tax base calculation.

#### Cost of Construction Difference

The Legislative Policy Committee also agreed that the formula for distribution of capital improvement grants should be adjusted to reflect differences in costs of construction in various parts of Alaska. This is probably in deference to some of the members present from remote areas of Alaska.

The Honorable Ray Metcalfe  
February 18, 1982

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I can express some personal opinions about this type of adjustment, which may or may not express the sense of the Matanuska-Susitna Borough.

To begin with, I greatly dislike anything that complicates the basic per capita distribution formula, because, in my opinion, complications to the formula obscures the mechanics of what is actually happening in the distribution of State monies for capital improvements. Just as a matter of principle, the fewer adjustments to a per capita formula, the better.

Secondly, there are numerous measures for determining whether things are balancing out in urban and semiurban areas versus rural areas. Until this balancing out has been tested out, I would question whether there should be major differences in the amount of money distributed according to region based upon differences in construction costs.

For example, I know that locally we pay a minimum of twenty percent of the cost of constructing our school buildings (maybe this will go down to ten percent after this legislative session), while this particular burden does not fall upon second class cities or REAAs.

Similarly, I know that there are certain types of sewer and water projects which, if constructed in an area like Matanuska-Susitna Borough, would be partially paid for by local tax dollars, while the same type of facilities would be State funded in a second class city.

And, finally, I believe that you now have available to you recent statistics as to amounts of monies distributed per capita by the State in various regions of the State for capital improvements. These statistics, reflecting previous State expenditures for capital improvements, would tell you whether the State programs taken together have caused an imbalance in spending in one region versus another region. Obviously, any figures of this kind have to be taken with a grain of salt. For example, I would hate to see a 41 million dollar appropriation for a State Adult Camp at Sutton be showing up as a per capita distribution of State capital improvements monies to Matanuska-Susitna Borough residents. Nor, would I want to see a 20 million dollar appropriation for upgrading the Glenn Highway shown as a state distribution of capital improvement monies among residents of the Matanuska-Susitna Borough. I'm sure that Sitka would have similar sentiments regarding a state investment in a fish hatchery on Baranof Island. There are some numbers that simply should not be cranked into an equation applicable to local governments.

The Honorable Ray Metcalfe  
February 18, 1982

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### Census Adjustments

Everyone in the Legislative Policy Committee agreed that a municipality should get an adjustment in its population in any year using the same procedure as is currently used for revenue sharing.

### Constitutional Amendments to Dedicate State Monies for Local Government Purposes

I know that you personally attach considerable importance to the passage of a constitutional amendment authorizing dedication of State revenues to a local government capital improvement fund. I can fully understand why you attach importance to such an amendment. Ever since I was Governor Egan's Executive Assistant in the early 1960's I had thought that there was an imbalance in investment of State revenues between the type of investment typically made at the local government level and the type of investment typically made by a State. I had always thought that the State of Alaska attached too little importance to such things as local service roads, sewer systems, water systems, municipal park lands, etc. However, I do believe that, if a bill like HB 618 were passed and properly funded during the first year that it takes effect, a precedent would be set which subsequent sessions of the legislature would respect. The reason why I think that subsequent legislatures would adequately fund the local government capital improvement program is that I believe that the planning and the quality of the local government capital improvements would be such as to convince the legislature that this is a good use of State monies. I know that in this Borough we intend to be responsible in the way we determine priorities and invest our capital improvement monies. Maybe, somewhere down the road, things will get off track, in which case, the legislature would be well advised to look at the system they have established and decide to handle things on a different basis than a continued dedication of State revenues in the manner contemplated by the constitutional amendment.

I'm pleased that you are pursuing HB 618 and are seeking comment. If, after you have received comment from the Alaska Municipal League Board of Directors, you still want some comment from the Assembly of the Matanuska-Susitna Borough, let me know, and I will submit any questions you may have to the Assembly so they can respond. They are knowledgeable