

OGAM ACTION TRANSMITTAL
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Grants and Acquisition Management (OGAM)
Office of the Assistant Secretary for Management and Budget
Room 517D - Hubert H. Humphrey Building
200 Independence Ave. S.W.
Washington, D.C. 20201

ACTION TRANSMITTAL - EXTERNAL

Transmittal No.: OGAM AT 98-2

Date: 9/30/98

TO: State, Local and Tribal Governments and HHS
Awarding Agencies

SUBJECT: Compliance with "**Benefiting Program**"

REGULATION,
OMB REFERENCE: OMB Circular A-87 and ASMB C-10 (HHS
Implementation Guide for OMB Circular A-87)

APPLICABILITY: All State, Local and Tribal Recipients of HHS
Awards and HHS Awarding Agencies

EFFECTIVE DATE: October 1, 1998

ACTION: The Office of Management and Budget Circular A-87 and the HHS ASMB C-10 require that costs be allocated to all benefiting programs based on relative benefits derived. This means that if any program benefits from an activity or cost, then costs must be allocated to each program. Where multiple programs are involved, a single program may not be designated as the sole benefiting program (primary program). Exceptions are described in the C-10, Section 2-12 which permit deviation from the A-87 requirements when the head of a Federal agency determines that the program legislation requires that the program absorb costs that would normally be allocable to other programs. Cost shifting is not permitted by most program statutes, except where there is a specific legislative provision allowing such cost shifting. While the former AFDC program

allowed such an exception, the TANF legislation that replaced AFDC does not permit it being designated as the sole benefiting or primary program. Therefore, the TANF program is subject to the cost allocation principles of A-87.

State, Local and Tribal cost allocation plans and indirect cost agreements for the TANF program must comply with this policy starting in the State fiscal year beginning on or after 10/1/98. Submitted plans prepared based on benefiting program and pending approval by HHS' Division of Cost Allocation will be approved starting 10/1/98. Submitted plans prepared on a basis other than benefiting program must be resubmitted to reflect benefiting program effective no later than the start of the next State fiscal year beginning on or after 10/1/98.

**AUTHORIZING
OFFICIAL:**

Terrence J. Tychan
Deputy Assistant Secretary for
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