
Administration for Children and Families (ACF)

Information Memorandum

U.S. Department of
Health and Human Services
Administration for Children & Families
370 L'Enfant Promenade S.W.
Washington, D.C. 20477

Information Memorandum #: OISM-ACF-IM-93-4

Date: October 6, 199

TO : STATE PUBLIC ASSISTANCE AGENCIES AND OTHER INTERESTED PARTIES

SUBJECT : FEASIBILITY, ALTERNATIVES, AND COST/BENEFIT ANALYSIS GUIDE - REVISION

REFERENCES: 45 CFR PART 95, SUBPART F

PURPOSE : This Information Memorandum transmits a revised Feasibility, Alternatives, and Cost/Benefit Analysis Guide, which is designed to assist States in meeting the requirements of 45 CFR Part 95, Subpart F. The guide seeks to establish a standard analytical approach and to develop a framework for analysis and documentation, and includes worksheets to support the State during its analysis and comparison of alternatives.

BACKGROUND: State Agencies covered by 45 CFR Part 95, Subpart F are required to seek and gain approval for automated information systems projects through the submission of an Advance Planning Document (APD). In the planning phase of these projects States must conduct a feasibility study, an alternatives analysis, and a cost/benefits analysis.

In addition, States are required to submit an annual report which compares actual cost benefits to the estimated cost savings in the approved Advance Planning Document (APD). This report is due once the State begins operation, either on a pilot basis or under a phased implementation. The cost savings must be reported for 2 to 5 years after statewide operation or until the Department determines that projected cost savings have been achieved. States have experienced difficulties in meeting this requirement because costs of the system being replaced (baseline costs) are difficult to obtain after the new system is under development.

DISCUSSION: After ACF released the initial guide date July 1992, the Office of Management and budget revised its policies to establish 7 percent as the new discount rate for present value calculations on systems affecting the public. Although the new policy does not apply to State systems, ACF has decided to adopt 7 percent as the new discount rate for cost/benefit analysis of State systems eligible for Federal financial participation. The change is being made in part due to concern expressed by Regional Office and State personnel about the relatively high rate compared to today's economic conditions.

Additionally, we are revising the guide regarding "cost avoidances." The guide now specifically cites consideration of cost avoidances as benefits of the selected alternative. This policy supports ACF's interest in measuring actual costs and benefits and provides the basis for comparing the costs and benefits of the implemented system to those projected in the approved Advance Planning Document.

Accordingly, this issue of the Feasibility, Alternatives, and Cost/Benefit Analysis Guide has been revised to:

- o Change the discount rate from 10 percent to 7 percent;
- o Revise the guidance on cost avoidance;
- o Emphasize that project totals include all costs,
including State costs

INQUIRIES

TO: ACF Regional Administrators

or

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