

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

FEB 26 1979

Honorable Adlai E. Stevenson
United States Senate
Washington, D.C. 20510

Dear Senator Stevenson:

This is in reply to your letter of January 8, 1979, concerning our Circular A-21, "Cost principles for educational institutions." You urged postponement of certain portions of the proposed revision to the Circular.

As you know, we published the proposed revision in the Federal Register on March 10, 1978. The proposed revision was based on recommendations made by the Department of Health, Education, and Welfare after urging by the House and Senate Appropriations Committees. The Committees expressed concern that the existing principles were not sufficiently clear to "bring spiraling indirect cost rates under control."

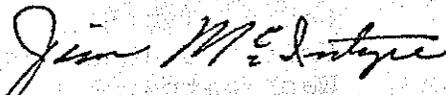
We received almost 300 comments on the proposal from Federal agencies, university administrators, faculty members, professional associations, and members of the public. In addition, we received more than 60 inquiries from Members of Congress. We held numerous public meetings with interested individuals and groups, and recently briefed congressional staff, Federal agencies, and universities on the many changes to the proposal that have resulted from the comment process.

We understand that some universities still object to certain aspects of the proposed revision. We believe the objections at this point are relatively few. However, because of your concern, and because of concern expressed by others, we plan to phase in the revision to permit appropriate review before full implementation. The Circular establishes October 1, 1979 as the effective date, but calls for implementation by each university in its first fiscal year beginning after that date. The Circular provides for earlier or later implementation by mutual agreement. This phasing in should provide adequate time for your Subcommittee or other interested Committees of the Congress to make whatever examinations of the Circular they deem appropriate.

Let.
3-7-79

We would be glad to have our staff brief yours on the details of the proposed revision if you desire. If we may assist in any other way, please let us know.

Sincerely,



James T. McIntyre, Jr.
Director