

May 24, 2004

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TO: Distribution

FROM: B/Chief Financial Officer

SUBJECT: Applying Full Cost Policy to Congressional Earmarks

This interim policy specifies how Full Cost applies to what is typically referred to as Congressional earmarks. Beginning with Fiscal Year 2004, NASA has committed to budgeting, accounting for, and managing its programs in full cost terms to improve the efficiency with which its units operate. This means all programs and projects must bear their share of the General and Administrative (G&A) costs associated with operating the Agency whether at the Center or Corporate (Agency) level. This includes those contracts and grants that have been “earmarked” in NASA’s budget.

The activities associated with administering earmarked grants and contracts are similar to those employed by a project or program. Recovering the costs of these activities is what Full Cost policy dictates. G&A costs are recovered by applying the appropriate Corporate and Center G&A rates to that program or project. As such, this policy calls for the application of Corporate and Center G&A rates to earmarked contracts and grants.

Specifically, before earmarked funds are issued to the implementing Center, the Agency CFO will withhold Corporate G&A costs based on the rate for FY 2004, which is 6 percent. After the Center receives these funds net of Corporate G&A, the Center CFO should similarly apply the going Center G&A rate against the number of “on-site” Work Force Equivalents associated with the earmark activity to recover the Center’s associated G&A costs. Moreover, Center CFOs must formally report to the Agency CFO on the amount of Center G&A assessed against each earmark.

If you have any questions related to this policy, please contact Ronald Brooks at (202) 358-4473.

Original Signed By

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