## Status

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<td>For fiscal years beginning after September 30, 1997 except for the consolidated financial report of the Federal Government (CFR). For the CFR: Chapters 6 through 7 are not effective until further action by the Board.</td>
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| **Affected by** | • SFFAS 17 provides standards for accounting for social insurance. SFFAS 8, paragraphs 116-117 deferred consideration of social insurance.  
• SFFAS 23, par. 9 affects SFFAS 8 by rescinding the prefatory box preceding paragraph 52 and paragraphs 52 through 70 (Chapter 3).  
• SFFAS 25, paragraph 5 rescinds chapter 8 and paragraphs 14-16 of SFFAS 8, and the associated Illustration of the Current Services Assessment in Appendix B of SFFAS 8.  
• SFFAS 29, par 12 rescinded Chapter 2 (Heritage Assets) and par. 31 rescinded Chapter 4 (Stewardship Land) and the associated Illustrations in Appendix B of SFFAS 8. SFFAS 29 provides the standards for Heritage Assets and Stewardship Land. |

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Summary

This Statement establishes standards for reporting on the Federal Government's stewardship over 1) certain resources entrusted to it, identified as stewardship property, plant, and equipment and stewardship investments, and 2) certain responsibilities assumed by it, identified as the current service assessment. The resources and responsibilities do not meet the criteria for assets and liabilities that are required to be reported in the financial statements but are, nonetheless, important to an understanding of the operations and financial condition of the Federal Government at the date of the financial statements and in subsequent periods. Because the Government has been entrusted with, and made accountable for, these resources and responsibilities, they should be recognized in the financial reports of the Federal Government and of its component entities.

Stewardship resources are investments by the Federal Government for the benefit of the Nation. When made, they are treated as expenses in the financial statements. These expenses, however, are intended to provide long-term benefits to the public. Therefore, this Statement requires that information on these resources be reported to highlight their long-term-benefit nature and to demonstrate accountability over them. Depending on the nature of the resources, stewardship reporting could consist of financial and nonfinancial data.

This Statement establishes reporting requirements based on the categories defined below:

a  The purpose of this Statement is to establish standards for reporting on the Federal Government's stewardship over 1) certain resources entrusted to it, identified as stewardship property, plant, and equipment and stewardship investments, and 2) certain responsibilities assumed by it, identified as the current service assessment. The resources and responsibilities do not meet the criteria for assets and liabilities that are required to be reported in the financial statements but are, nonetheless, important to an understanding of the operations and financial condition of the Federal Government at the date of the financial statements and in subsequent periods. Because the Government has been entrusted with, and made accountable for, these resources and responsibilities, they should be recognized in the financial reports of the Federal Government and of its component entities. This determination was made to more fully satisfy the stewardship objective defined in the concepts statement, *Objectives of Federal Financial Reporting.*

b  The stewardship objective requires that the Federal Government "report on the broad outcomes of its actions." Such reporting will provide information that could help report users

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assess the impact of the Government's operations and activities for the period on its financial condition.²

c Stewardship resources involve substantial investment by the Federal Government for the benefit of the Nation. When made, they are treated as expenses in the financial statements. These expenses, however, are intended to provide long-term benefits to the public. Therefore, this Statement requires that information on these resources be reported to highlight their long-term-benefit nature and to demonstrate accountability over them. Depending on the nature of the resources, stewardship reporting could consist of financial and nonfinancial data.

d Given the above purpose, this Statement established standards for supplementary stewardship reporting for Stewardship Investment

e Stewardship Investments - items treated as expenses in calculating net cost but meriting special treatment to highlight their substantial investment and long-term-benefit nature. This includes:

- Nonfederal Physical Property - grants provided for properties financed by the Federal Government, but owned by the state and local governments.

- Costs incurred for education and training programs that are designed to increase or maintain national economic productive capacity and research efforts to provide future benefits or returns. These include:

  - Human Capital - education and training programs financed by the Federal Government for the benefit of the public.

  - Research and Development - basic and applied research and development.

f All stewardship information is deemed "required supplemental stewardship information" (RSSI). Audit requirements for RSSI will be established in a collaborative effort by the Office of Management and Budget (OMB) and the Government Accountability Office (GAO).

g The introduction and background chapter of this standard provides information on the approaches used to develop the standards for supplementary stewardship reporting. Appendices include a basis for the Board's conclusions, sample stewardship reports, and a glossary of terms used in the Statement. First-time use of glossary terms within the body of this document appear in boldface.

²Ibid., pp. 41-42.
# Table Of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summary</td>
<td>2</td>
</tr>
<tr>
<td>Chapter 1: Introduction and Background</td>
<td>5</td>
</tr>
<tr>
<td>Chapter 2: Standard - Heritage Assets</td>
<td>16</td>
</tr>
<tr>
<td>Chapter 3: Standard - National Defense Property, Plant, and Equipment</td>
<td>16</td>
</tr>
<tr>
<td>Chapter 4: Standard - Stewardship Land</td>
<td>16</td>
</tr>
<tr>
<td>Chapter 5: Standard - Nonfederal Physical Property</td>
<td>16</td>
</tr>
<tr>
<td>Chapter 6: Standard - Human Capital</td>
<td>19</td>
</tr>
<tr>
<td>Chapter 7: Standard - Research and Development</td>
<td>21</td>
</tr>
<tr>
<td>Chapter 8: Standard - Current Services Assessment</td>
<td>25</td>
</tr>
<tr>
<td>Appendix A: Basis for Conclusions</td>
<td>26</td>
</tr>
<tr>
<td>Appendix B: Sample Reports</td>
<td>33</td>
</tr>
<tr>
<td>Appendix C: Glossary [See Consolidated Glossary in Appendix E]</td>
<td>38</td>
</tr>
</tbody>
</table>
Chapter 1: Introduction And Background

Purpose

1. The purpose of this Statement is to establish standards for reporting on the Federal Government’s stewardship over certain resources entrusted to it, and certain responsibilities assumed by it. The resources and responsibilities relate to those which do not meet the criteria for assets and liabilities that are required to be reported in the financial statements but that are important to an understanding of the operations and financial condition of the Federal Government at the date of the financial statements and in subsequent periods. Costs of these stewardship-type resources are treated as expenses in the financial statements in the year the costs are incurred. However, these costs and resultant resources are intended to provide long-term benefits to the public and are included in stewardship reporting to highlight for the reader their long-term-benefit nature and to demonstrate accountability over them.

2. Specific descriptions of these stewardship-type resources are addressed later in this chapter and in the individual standards (chapters 2-7) in this Statement. Generally, stewardship reporting on these resources includes:

   • Information on investment in physical capital other than that used to support Federal operations to provide goods and services to the public, that is, investment in other than general property, plant, and equipment (PP&E).³
   • Information on investment in other than physical capital. Such information, as well as the information called for in the paragraph above, will be reported for stewardship purposes on an investment basis (that is, as benefitting more than the current reporting period) rather than a consumption basis (that is, benefitting only the current reporting period). Such a presentation could help users analyze all Federal investment on an equal basis, and make decisions among competing investments, such as when allocating Federal resources or deciding whether to authorize new programs or modify ongoing programs.
   • Information that could assist in measuring the success of certain programs. The measurement of the benefits received for the dollars invested and the evaluation of program performance could appear with other stewardship information as part of the

³Physical assets supporting Federal operations to provide goods and services to the public, referred to as general property, plant and equipment (PP&E), are addressed in Accounting for Property, Plant and Equipment, SFFAS No. 6.
financial statements, or in other financial reports, for example, in a report on program performance.

3. This Statement also established standards for providing information on stewardship responsibilities (chapter 8) through projections for the Government as a whole. The projections will aid in assessing the Government's financial condition and the sufficiency of future budgetary resources to sustain public services and meet obligations as they come due.

4. Each standard is summarized briefly in a box followed by a detailed explanation of the standard. However, the standards comprise the summaries in the boxes and the entire text of the explanations.

Background And Rationale

5. The Concepts Statement, *Objectives of Federal Financial Reporting* was developed on the basis of an in-depth assessment of user needs and is used to guide the Board in developing Federal accounting and reporting standards. The objectives cover four areas: budgetary integrity, operating performance, stewardship, and systems and control.

6. This Statement of accounting standards addresses the objective of reporting on stewardship over certain resources entrusted to the Federal Government and responsibilities assumed by it. The need for a report on the Federal Government’s stewardship over the resources entrusted to it and the responsibilities it has assumed, arises because of the unique nature of the Federal Government, as described in the following section.

Stewardship And The Reporting Objectives

7. “Financial position” is a representation of an entity’s economic resources and the claims on those resources as of a particular date. In the private sector, the principal objective of reporting on financial position is to assess the viability of the entity, the business firm, and its potential profitability.

8. Assessing the overall performance of the Federal Government is not exclusively a matter of comparing revenue and expense, or its accumulated assets and liabilities.

9. The Federal Government’s viability and perpetuity are assumed. It has unique access to financial resources and financing, and the power to tax, to borrow, and to create money. For the Federal Government, financial performance is a vital issue, but traditional financial measures provide data that are appropriate for assessing only some, not all, of the
responsibilities for which the Government should be held accountable. Since it exists not to make a profit but to serve the needs of the citizens and to promote the general welfare of the Nation, other measures of accountability need to be used. Measures of accountability are to be reported for elements that are defined as stewardship property, plant, and equipment (PP&E); stewardship investments; and stewardship responsibilities. These elements of stewardship exist because the Federal Government is dissimilar to industrial and commercial entities.

Financial Condition

10. The measures of accountability mentioned above help to portray the Government's “financial condition.” Financial condition is a broader and more forward-looking concept than is financial position. Financial condition allows an assessment of an entity on the basis of additional data that could include financial and nonfinancial information about current conditions. These additional data provide a more complete indication of performance. In some cases, it may be necessary to present and characterize financial data in ways that differ from traditional financial reporting and to supplement traditional data with nonfinancial data. In other cases, it may be necessary to rely almost entirely on nonfinancial data to provide a more complete presentation of entity performance. Moreover, assessment of financial condition could include analysis of trends, demands, commitments, events, and uncertainties.4

Stewardship PP&E

11. “Stewardship PP&E” consists of items whose physical properties resemble those of general PP&E traditionally capitalized in financial statements. However, the nature of these Federal physical assets that are classified as stewardship PP&E differ from general PP&E in that their values may be indeterminable or may have little meaning (for example, museum collections, monuments, assets acquired in the formation of the nation) or that allocating the cost of such assets (for example, military weapons systems and space exploration hardware) to accounting periods that benefit from the ownership of such assets is meaningless. However, the Federal Government should be able to demonstrate accountability for stewardship PP&E by reporting on its existence and on its condition by a reference to deferred maintenance reported in the financial statements. Stewardship PP&E would include stewardship land (that is, land not acquired for or in connection with general property, plant, and equipment); heritage assets (for example, Federal monuments and memorials and historically or culturally significant property); and ... [National Defense] property, plant, and equipment (for example, ... military weapons systems).

4Chapter 7 of the Objectives of Federal Financial Reporting provides a full discussion of financial position and financial condition.
Stewardship Investments

12. “Stewardship investments” are substantial investments made by the Federal Government for the benefit of the nation. When incurred, they are treated as expenses in determining the net costs of operations. However, these items merit special treatment so that readers of Government financial reports know the extent of these investments that are made for long-term benefit. Such investments will be measured in terms of expenses incurred for certain education and training programs; federally financed research and development; and federally financed but not federally owned property, such as bridges and roads.

13. Because the Government has been entrusted with and made accountable for these resources, they should be reported in the financial reports of the Government and of its component entities. This will help satisfy the stewardship objective defined in the concepts statement, Objectives of Federal Financial Reporting, SFFAC No. 1. The goal of the stewardship objective is that the Federal Government "report on the broad outcomes of its actions." Such reporting may provide information that could help report users assess the impact of the Government's operations and investments for the period.5

Stewardship Responsibilities

14. A key aspect of the stewardship objective requires that Federal reporting provide information that helps users determine (1) whether the Government’s financial condition improved or deteriorated over the period and (2) whether future budgetary resources will likely be sufficient to sustain public services and to meet obligations as they come due.6

15. Information on “stewardship responsibilities” will aid in these determinations. It will provide an essential perspective on the Government’s commitment to discretionary and mandatory programs.

16. Reporting on this stewardship responsibility may be accomplished in a stewardship section in the consolidated financial report of the Federal Government.

Stewardship Categories Or Elements

17. In defining the specific categories of items, or elements, that would appear as stewardship information, the Board decided on the following:

- Property owned by the Federal Government and meeting the definition of one of the following three categories:

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5See SFFAC No. 1, pp. 41-42.

6Ibid., pp. 42-44.
• Property, plant, and equipment of historical, natural, cultural, educational or artistic significance, referred to as heritage assets, for example, the Washington Monument and the Lincoln Memorial; ... 

• ... [See SFFAS 14 for the explanation of deletion and change to “National defense PP&E”] and

• Investments in stewardship land, that is, land not acquired for or in connection with general property, plant, and equipment, for example, national forests, parks, and historic sites. Some investments in stewardship land, for example national parks, will be reported by both 1) the number of acres used as a park or an historic site in the stewardship land category, and 2) by the number of physical units identified as national parks in the heritage assets category. Such reporting would not be considered duplication, as the type of information reported on an item would be different for each category of stewardship asset.

• Properties financed by the Federal Government but owned by state and local governments, referred to as nonfederal physical property, for example, highways and bridges.

• Expenses that are incurred for education and training that are intended to increase national economic productive capacity or for research and development that are intended to provide future benefits or returns. This includes:
  • Investments in human capital, that is, education and training programs provided by the Federal Government, for example, job training programs, and grants for higher education.
  • Investments in research and development, for example, research on the effects of early medical intervention in delaying the onset of AIDS symptoms in HIV-positive individuals, and Federal investment in genetic code research to advance national medical research.
  • Information on the projected financial impact on the Government of providing current services, assuming a continuation of current programs. This information will be in the form of a current services assessment providing future receipt and outlay data on the basis of projections of future activities for the Government as a whole and will include both discretionary and mandatory programs and interest on debt.

... [see SFFAS No. 14]

The Board is including only surface land as supplementary stewardship information because the issues associated with other than surface land, i.e., the natural resources on and under that land, are complex. The Board is researching these complex issues and will publish a separate exposure draft on a proposed accounting standard for natural resources at a later date.
18. The previous categories of items or elements result from or exist largely because of the Federal Government’s role as a sovereign power. The components that they include are defined and discussed in detail in their respective chapters of this standard.

The Nature of Stewardship Reporting

19. The Board, recognizing the Federal Government’s size, complexity, diversity, and impact on others, has determined that the aforementioned information is needed in addition to that included in financial statements.

20. Such information may not link directly with the basic financial statements because the data to be reported may be other than financial, for example, physical units or projections. It will supplement the basic financial statements.

21. This information, as indicated in each of the standards, will be designated as required supplementary stewardship information (RSSI) for the consolidated financial statements of the Federal Government and of the entities who have stewardship responsibilities over resources identified earlier in this document. The Board has chosen to call this RSSI to distinguish it from “required supplementary information” (RSI), for which audit responsibilities are prescribed in existing professional literature. The Board believes that OMB and GAO should establish and cause the implementation of the audit responsibilities for RSSI.

Stewardship Information

22. Stewardship information may be presented in varying formats depending on the nature of the Federal investments or claims to Federal resources controlled by an entity. Such information is required for those entities (1) that control stewardship resources and (2) whose financial statements purport to be in accordance with Federal accounting principles as recommended by FASAB, and approved by the Secretary of the Treasury, the Director of OMB and the Comptroller General.

23. Examples of selected portions of stewardship report sections are included at Appendix B.

Measurement

24. The separate standards for each stewardship element contain specific guidance for that element. In general, however, stewardship investments shall be measured on the same basis of accounting as used for financial statements, including appropriate accrual
adjustments, general and administrative overhead, and a share of the cost of facilities (for example, depreciation).\(^9\)

25. For investments that are intended to maintain or increase the economic productive capacity of the Nation, that is, investments in human capital, research and development, and nonfederal physical property, trend data shall be presented. Trend data should reflect the full cost (including allocation of facility and administrative costs) of the investment.

26. For stewardship land and heritage assets, measurement will be done on other than a financial basis. For example, measurement may be on the basis of physical units, such as acres of land. Specific data requirements are addressed in the individual stewardship standards.

27. Generally, amounts shall be reported in nominal dollars. If trend data that span many years are reported and the entity believes that constant dollar information would be meaningful for data interpretation, constant dollar data may be provided in addition to nominal dollar data.

28. **Split Grants.** Frequently, stewardship elements are financed by grants. In some cases, the grants may have more than one purpose.\(^10\) For such grants, the investment shall be allocated among stewardship elements on the basis of an estimate of the proportionate funding of the various grant objectives. If allocation is not feasible, the investment shall be reported on the basis of the predominant use of the grant.

29. **Performance Indicators.** For some stewardship elements, categorization of these elements as investments is predicated on producing outputs and outcomes. The specific procedures, including a phasing-in process for requiring such justification, is contained in the individual respective standards.

30. **Reporting Program Expenses.** Trend data reported on stewardship investment elements should reflect the full cost\(^11\) of the investment for the year being reported upon and the preceding 4 years. Additional years’ data also may be reported if such data would better indicate the investment nature of an item.

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\(^9\)See *Managerial Cost Accounting Concepts and Standards*, SFFAS No. 4, for a discussion of Federal cost accounting principles and standards.

\(^10\)An example of a grant with a split purpose is a grant issued to a teaching hospital to perform both medical education and medical research.

31. In some cases, before the issuance of Federal accounting standards, entities have maintained records on the basis of outlays rather than expenses. It may be impracticable for such entities to reconstruct their accounts on the basis of expense. In such cases, entities may report data on an outlay basis for any years for which expense data are not available. At the end of 5 years, entities should have sufficient expense data to be able to report expenses rather than outlays.

32. **Reporting Deferred Maintenance.** Many state and local governments, members of Congressional oversight committees, and national groups, have raised the issue of the deteriorating condition of federally-owned PP&E because of deferred maintenance associated with these assets. The issue was addressed in association with PP&E. As a result, a deferred maintenance standard in *Accounting for Property, Plant, and Equipment*, SFFAS No. 6, establishes reporting requirements related to the condition and future maintenance requirements for PP&E.

33. These requirements are flexible since different conditions may be considered acceptable by different entities, as well as for different items of PP&E held by the same entity. The deferred maintenance standard is applicable to all PP&E whether the PP&E is reported as general PP&E or stewardship PP&E.

**Reporting Requirements**

34. Within each of the standards, minimum required and, in some cases, recommended reporting is described. These requirements and recommendations, including a phasing-in process for entities who may not have required data available at the implementation of the standards, are contained in the individual standards. These requirements describe the nature of items to be reported by Federal entities; guidance on the form and content of agency financial reports, including the specific guidance on the format in which items addressed in this Statement will be reported, will be prescribed by OMB.

35. Reporting should be at the major program or category level; individual transactions need not be reported unless significant. Additional reporting is encouraged when preparers believe such information would make the financial report more meaningful or understandable.

**Social Insurance**

36. The Board first considered accounting and reporting for social insurance programs while considering SFFAS No. 5, *Accounting for Liabilities of the Federal Government*. The Board concluded, at that time, that the topic should be made part of the Supplementary Stewardship Reporting project.
37. Research and deliberations regarding social insurance have continued as part of the Supplementary Stewardship Reporting project. However, the Board, recognizing the magnitude and complexity of these programs, the strength of the views on the accounting and reporting issues, the significant attention being focused on these programs at the present time, and the potential for change to the programs, has again concluded that additional consideration is appropriate before issuing final guidance. Accordingly, the Board has not included guidance on social insurance in this Statement and has added a Social Insurance Accounting project to its agenda.

Applicability

38. This standard requires that the consolidated financial reports\(^{12}\) of the Federal Government and the financial reports of its component units contain RSSI relating to:

- amounts invested in human capital, research and development, and nonfederal physical property; and
- quantities (stated in terms of physical units or dollars) of land, heritage assets, ... [See SFFAS 11 for the explanation of deletion and change to “National Defense”] property.

Although FASAB’s sponsors do not set accounting standards for the legislative or judicial branches, Federal accounting standards would be appropriate for them.

39. Because the financial reports of the Federal Government present the aggregation of information about stewardship investments and assets related to varied agencies and programs, further deliberations by the Board are needed to reach a decision on the amount and nature of information to be required under this standard for reporting in the consolidated financial report. Accordingly, except for the standard described in Chapter 8, “Current Service Assessment,” the effective date of the stewardship standards as they apply to the consolidated financial report, is deferred pending that decision. The effective date of the standard in Chapter 8 is for fiscal periods beginning after September 30, 1997. In the interim, the consolidated financial reports should include such summary or selected

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\(^{12}\)The terms “financial statements” and “consolidated financial statements” are used throughout this document to refer to the basic financial statements of a reporting entity; the basic financial statements normally include: the balance sheet, the statements of net cost, changes in financial position, financing, budgetary resources, and custodial activities and the notes to the financial statements. The terms “financial reports” and “consolidated financial reports” are used to refer to a document which would include the financial statements but which would also include items such as: a management discussion and analysis section, a statement of program performance measures, required supplemental information or required supplementary stewardship information not included in the financial statements or other supplemental financial and management information.
information as is feasible. Experimentation is encouraged, as is the reporting of such additional information as will enhance the financial report.

40. Some Federal entities, including those government corporations listed in the Government Corporation Control Act and certain others, such as the US Postal Service, are required by law or policy to publish financial statements pursuant to the standards issued by the Financial Accounting Standards Board (FASB). (Some entities also may be required to prepare statements pursuant to standards set by a regulatory agency. That practice would not be affected by this statement of standards.) For such entities, this standard provides the following general principles:

- **Applying Applicable Accounting Principles** - Separately issued (stand-alone) general-purpose financial statements on such entities should apply applicable accounting principles that will best meet user needs and comply with any relevant statutory requirements. This principle would continue to be true for separately issued statements even if, pursuant to the provisions below, other information about these entities might need to be presented when their financial statements are included within reports of a larger Federal entity.

- **Reporting Additional or Supplementary Information** - When financial information on such entities is included in general-purpose financial reports of a larger Federal reporting entity (including Treasury’s consolidated financial report), any applicable standards recommended by the FASAB and issued by OMB and the Government Accountability Office (GAO) that call for additional reporting or supplementary information should be applied.

- **Applying Applicable Standards When Differences Arise** - When financial information on such entities is included in general purpose financial reports of a larger Federal reporting entity (including Treasury’s consolidated financial report), standards recommended by FASAB and issued by OMB and GAO should be used if the difference arising from differences between Federal accounting standards and FASB’s would be material to users of the report of the larger entity.

**Materiality**

41. The provisions of this Statement need not be applied to immaterial items. The determination of whether an item is material depends on the degree to which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.
Effective Date

42. The accounting standards in this statement, except for the standards described in Chapters 2-7 to the extent that they related to the consolidated financial report of the Federal Government, are effective for fiscal periods beginning after September 30, 1997. Earlier implementation is encouraged. See paragraph 39 for the effective date of standards in Chapters 2-7 relating to the consolidated financial report.
Chapter 5: Nonfederal Physical Property Standard

Nonfederal Physical Property

Expenses included in calculating net cost for nonfederal physical property programs shall be reported as investments in required supplementary stewardship information accompanying the financial statements of the Federal Government and the separate reports of component units of...
the Federal Government responsible for such investments. Reporting will include data, in
nominal dollars, on investment for the year being reported upon and the preceding 4 years.
Additional years' data also may be reported if such data would provide a better indication of the
nature of the investment.

Definition

83. “Investment in nonfederal physical property” refers to those expenses incurred by the
Federal Government for the purchase, the construction, or the major renovation of physical
property owned by state and local governments, including major additions, alterations, and
replacements; the purchase of major equipment; and the purchase or improvement of other
physical assets. Grants for maintenance and operations are not considered investments.

Measurement

84. “Expenses incurred” - The financial investment shall be measured on the same basis of
accounting as used for financial statement purposes, including appropriate accrual
adjustments, general and administrative overhead, and costs of facilities.\(^28\) Amounts shall
be reported in nominal dollars.

85. Cash grants related to nonfederal physical property programs are recognized and reported
as expenses in arriving at the net cost of operations.

86. Expenses incurred for program costs, contracts, or grants with split purposes\(^29\) shall be
reported on the basis of an allocation of the expenses. If allocation is not feasible, the
investment shall be reported on the basis of the predominant application of the expense or
transfer.

Minimum Reporting

87. Minimum reporting shall include the following:

\(^28\)See Managerial Cost Accounting Standards and Concepts, SFFAS No. 4, for a full discussion of Federal cost
accounting principles and standards.

\(^29\)An example of an investment with a split purpose is a grant issued to a state to construct segments of the National
Highway System and to conduct highway research.
• Annual investment\textsuperscript{30} shall be reported, including a description of Federally-owned physical property transferred to state and local governments. This information will be provided for the year ended on the balance sheet date as well as for each of the 4 years preceding that year. If data for additional years would provide a better indication of investment, reporting of the additional years' data is encouraged. In those unusual instances when entities have no historical data, only current reporting year data need be reported.

• Reporting shall be at a meaningful category or level, for example, a major program or department. Reporting of major investments at the entity level shall be more specific than at the governmentwide level.

• In some cases, the information called for above is not available because entities have maintained records on the basis of outlays rather than expenses. For such entities to reconstruct their accounts on the basis of expense data may be impracticable. Agencies in this situation will continue to report historical data on an outlay basis for any years for which reporting is required and for which expense data are not available. If neither historical expense nor outlay data are available for each of the 5 years, entities need report only expense data for the current reporting year and such other years as available. At the end of 5 years, however, the agency will be able to report the expenses to be categorized as investments for nonfederal physical property rather than the outlays for each of the preceding 5 years.

• Reporting shall include a description of major programs involving Federal investments in nonfederal physical property including a description of programs or policies under which non-cash assets are transferred to state and local governments.

Recommended Reporting

88. Reporting of the amount of significant state and local total contributions to shared or joint programs is encouraged but is not required. If it is known, however, that other contributions in a significant amount were made, that fact (for example, expressed as a percentage of the total program) shall be reported even if the exact amount of the contribution is not known.

\textsuperscript{30}As defined in this standard, “annual investment” includes more than the annual expenditure reported by character class for budget execution. “Annual investment” is the full cost of the investment. Full cost shall be measured and accounted for in accordance with Managerial Cost Accounting Concepts and Standards, SFFAS No. 4.
Chapter 6: Human Capital Standard

Human Capital

Expenses included in calculating net cost for education and training programs that are intended to increase or maintain national economic productive capacity shall be reported as investments in human capital as required supplementary stewardship information accompanying the financial statements of the Federal Government and its component units. Continued categorization of expenses as investments for stewardship purposes is predicated on demonstrated outputs and outcomes consistent with the intent of the program. Reporting will ordinarily include data in nominal dollars on investment for the year being reported upon and the preceding 4 years. Additional years' data also may be reported if such data would provide a better indication of the investment.

Definition

89. “Investment in human capital” refers to those expenses incurred for programs for education and training of the public that are intended to maintain or increase national productive capacity and that produce outputs and outcomes that provide evidence of maintaining or increasing national productive capacity.

90. The definition excludes education and training expenses for Federal civilian and military personnel. It also excludes education and training expenses whose purpose is not maintaining or enhancing national productive capacity.

Measurement

91. “Expenses incurred” - The investment shall be measured on the same basis of accounting as used for financial statements, including appropriate accrual adjustments, general and administrative overhead, and costs of facilities. Amounts shall be reported in nominal dollars.

92. Expenses incurred for programs, contracts, or grants with split purposes shall be reported on the basis of an allocation of the investment expenses. If allocation is not feasible, the

31See Managerial Cost Accounting Concepts and Standards, SFFAS No. 4, for a full discussion of Federal cost accounting principles and standards.

32An example of an investment with a split purpose is a grant issued to a teaching hospital to perform both medical education and medical research.
investment shall be reported on the basis of the predominant application of the expenses incurred.

93. By no later than the third year after the effective date of this standard, managers of the investment program should be able to provide information on the outcomes for the programs for which the investments are reported. If outcome data are not available (for example, the agency has not agreed on outcome measures for the program, the agency is unable to collect reliable outcome data or the outcomes will not occur for several years), output data that best provide indications of the intended program outcomes shall be used to justify continued treatment of expenses as investments until outcome data are available. Definitions and characteristics of outputs and outcomes are provided in the paragraphs that follow.33

• “Output” - A tabulation, calculation, or recording of activity or effort that can be expressed in a quantitative or qualitative manner. Outputs shall have two key characteristics: (1) they shall be systematically or periodically captured through an accounting or management information system, and (2) there shall be a logical connection between the reported measures and the program’s purpose. Examples of human capital output are high school and college graduates as a percentage of population over 25.

• “Outcome” - An assessment of the results of a program compared to its intended purpose. Outcomes shall: (1) be capable of being described in financial, economic, or quantitative terms and (2) provide a plausible basis for concluding that the program has had or will have its intended effect. Examples of human capital outcomes are program graduates obtaining jobs within 2 months of program completion or program graduates obtaining jobs making more money than they previously received on Federal aid.

Minimum Reporting

94. Minimum reporting shall consist of:

• The annual investment34 made in the year ended on the balance sheet date as well as in each of the 4 years preceding that year shall be reported. If data for additional years

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33The human capital outputs and outcomes should be the same as those measured for the Government Performance and Results Act (GPRA) and the budget and could be reported in a Statement of Program Performance Measures as described in Appendix 1-F to the concepts statement entitled, Entity and Display, SFFAC No. 2.

34As defined in this standard, “annual investment” includes more than the annual expenditure reported by character class for budget execution. “Annual investment” is the full cost of the investment. Full cost shall be measured and accounted for in accordance with Managerial Cost Accounting Concepts and Standards, SFFAS No. 4.
would provide a better indication of investment, reporting of the additional years’ data is encouraged. In those unusual instances when entities have no historical data, only current reporting year data need be reported. Reporting shall be at a meaningful category or level, for example, a major program or department. Reporting of major efforts at the entity level shall be more specific than at the governmentwide level.

- In some cases, the information called for above will not be available because entities have maintained records on the basis of outlays rather than expenses. For such entities to reconstruct their accounts on the basis of expense data may be impracticable. Agencies in this situation will continue to report historical data on an outlay basis for any years for which reporting is required and for which expense data are not available. If neither historical expense nor outlay data are available for each of the 5 years, entities need report expense data for only the current reporting year and such other years as available. At the end of 5 years, however, the agency will be able to report the expenses to be categorized as investments for human capital rather than the outlays for each of the preceding 5 years.
- A narrative description of major education and training programs considered Federal investments in human capital shall be included.

Recommended Reporting

95. Reporting of the amount of significant state, local, private, or foreign total contributions to shared or joint programs is encouraged, but is not required. If it is known, however, that other contributions in a significant amount were made, that fact (for example, expressed as a percentage of the total program) may be reported even if the exact amount of the contribution is not known.

Chapter 7: Research & Development Standard

Research and Development

Expenses included in calculating net cost for research and development programs that are intended to increase or maintain national economic productive capacity or yield other future benefits shall be reported as investments in research and development in required supplementary stewardship information accompanying the financial statements of the Federal Government and its component units. Continued categorization of program expenses as investment is predicated on output and outcome data consistent with the program’s intent. Reporting ordinarily will include data in nominal dollars on investment for the year being reported upon and the preceding 4 years. Additional years’ data also may be reported if such data would provide a better indication of the investment.
Definition

96. “Investment in research and development” refers to those expenses incurred to support the search for new or refined knowledge and ideas and for the application or use of such knowledge and ideas for the development of new or improved products and processes with the expectation of maintaining or increasing national economic productive capacity or yielding other future benefits. Research and development is composed of

- Basic research: systematic study to gain knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications toward processes or products in mind;
- Applied research: systematic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met; and
- Development: systematic use of the knowledge and understanding gained from research for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes.35

Measurement

97. “Expenses incurred” - The investment shall be measured on the same basis of accounting as used for financial statements, including appropriate accrual adjustments, general and administrative overhead, and costs of facilities.36 Amounts shall be reported in nominal dollars.

98. Expenses incurred for programs, contracts, or grants with split purposes37 shall be reported on the basis of an allocation of the investment expenses. If allocation is not feasible, the investment shall be reported on the basis of the predominant application of the expenses incurred.

99. By no later than the third year after the effective date of this standard, managers of the investment program should be able to provide information on the outcomes for the

35See OMB Circular A-11, section 44.

36See Managerial Cost Accounting Concepts and Standards, SFFAS No. 4, for a full discussion of Federal cost accounting principles and standards.

37An example of an investment with a split purpose is a grant issued to a teaching hospital to perform both medical education and medical research.
programs for which the investments are reported. If outcome data are not available (for example, the agency has not agreed on outcome measures for the program, the agency is unable to collect reliable outcome data, or the outcomes will not occur for several years), the outputs that best provide indications of the intended program outcomes shall be used to justify continued treatment of expenses as investments until outcome data are available. Definitions and characteristics of outputs and outcomes follow.

- “Output” - A tabulation, calculation, or recording of activity or effort that can be expressed in a quantitative or qualitative manner. They shall have two key characteristics: (1) they shall be systematically or periodically captured through an accounting or management information system, and (2) there shall be a logical connection between the reported measures and the program’s purpose. In research and development programs, this might consist of data for the year concerning the number of new projects initiated, the number continued from the prior year, the number completed and the number terminated. It also might consist of such quantitative measures as bibliometrics (for example, publication counts, citation counts and analysis, and peer evaluation); patent counts and analysis; and science “indicators” that assess the ongoing vitality of the research (for example, statistics on scientific and engineering personnel, graduate students and degree recipients by field and sector).

- “Outcome” - An assessment of the results of a program compared to its intended purpose. Because of the difficulty of measuring such results for research and development programs in financial, economic, or quantitative terms, outcome data for such programs are expected to consist typically of a narrative discussion of the major results achieved by the program during the year, along the following lines:
  - Basic Research - an identification of any major new discoveries that were made during the year;
  - Applied Research - an identification of any major new applications that were developed during the year; or
  - Development - the progress of major developmental projects including the results with respect to projects completed or otherwise terminated during the year and the status of projects that will continue.

The information provided concerning outcomes should be chosen to provide, in concise form, a plausible basis for judging the extent to which the program is achieving its purpose.

38The research and development outputs and outcomes should be the same as those measured for the Government Performance and Results Act (GPRA) and the budget and will be reported in a Statement of Program Performance Measures as described in Appendix 1-F to Entity and Display, SFFAC No. 2.

39Research Funding as an Investment: Can We Measure the Returns?, A Technical Memorandum, Congress of the United States, Office of Technology Assessment (Apr. 1986).
Minimum Reporting

100. Minimum reporting shall consist of the following:

- The annual investment\(^{40}\) made in the year ended on the balance sheet date as well as in each of the 4 years preceding that year shall be reported. If data for additional years would provide a better indication of investment, reporting of the additional years’ data is encouraged. In those unusual instances when entities have no historical data, only current reporting year data need be reported. Reporting shall be at a meaningful category or level, for example, a major program or department. Reporting of major investments at the entity level shall be more specific than at the governmentwide level.

- In some cases, the information called for above will not be available because certain entities have maintained records on the basis of outlays rather than expenses. For such entities to reconstruct their accounts on the basis of expense data may be impracticable. Agencies in this situation will continue to report historical data on an outlay basis for any years for which reporting is required and for which expense data are not available. If neither historical expense nor outlay data are available for each of the 5 years, entities need report expense data for only the current reporting year and such other years as available. At the end of 5 years, however, the agency will be able to report the expenses to be categorized as research and development rather than the outlays for each of the preceding 5 years.

- A narrative description of major research and development programs shall be included.

Recommended Reporting

101. Reporting of the amount of significant state, local, private, or foreign total contributions to shared or joint programs is encouraged, but is not required. If it is known, however, that other contributions in a significant amount were made, that fact (for example, expressed as a percentage of the total program) may be reported even if the exact amount of the contribution is not known.

\(^{40}\)As defined in this standard, “annual investment” includes more than the annual expenditure reported by character class for budget execution. “Annual investment” is the full cost of the investment. Full cost shall be measured and accounted for in accordance with Managerial Cost Accounting Concepts and Standards, SFFAS No. 4.
Chapter 8: Current Services Assessment Standard

[Chapter 8, par. 102-108, rescinded by SFFAS No. 25]
Appendix A: Basis For Conclusions

This Statement may be affected by later Statements. The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent Statements that amend this Statement. Within the text of the Statements, the authoritative sections are updated for changes. However, this appendix will not be updated to reflect future changes. The reader can review the basis for conclusions of the amending Statement for the rationale for each amendment.

109. This appendix provides a discussion of the more significant comments that the Board received from respondents to the exposure draft, *Supplementary Stewardship Reporting*, dated August 1995 and from testimony at a public hearing on the exposure draft that was held December 5, 1995.

110. Responses overall were generally favorable to the concept of reporting stewardship information. In some cases, respondents had questions about the specific reporting requirements or requested clarification on particular items. Where feasible, these areas were addressed or clarified in the final standards in this Statement. In the case of issues raised by the respondents, this appendix explains the basis of the Board’s conclusions.

The Nature Of Stewardship Reporting

111. The exposure draft presented the Board’s approach to reporting in a manner other than is done in the basic financial statements for those items that it has categorized as stewardship items. As the Board stated in the Introduction and Background chapter of this Statement, it believes that these stewardship items warrant specialized reporting to highlight their importance and to portray them in additional ways than provided by financial accounting. The Board designated a new category of reporting to highlight the unique nature of stewardship reporting, Required Supplemental Stewardship Information (RSSI).

112. Some respondents believed that, although reporting on stewardship items might be warranted, a separate manner of reporting might not. They believed that stewardship reporting could be accommodated either within the basic financial statements, for example, as a note, or as Required Supplemental Information (RSI). They did not see the need for the separate category of RSSI.

113. The Board, however, believes that a new category for reporting on stewardship items is more appropriate. If stewardship information were required to be reported in a note to the basic financial statements, it would be subject to the same level of audit scrutiny as that of the basic financial statements. Since some of the stewardship information is non-financial, for example, physical units, and other data is based on projections or assumptions, the
same degree of audit coverage as that of the basic financial statements for these items may not be appropriate. Such data is not drawn directly from the financial records. Thus reliance on financial records for audit backup would not be feasible.

114. On the other hand, the Board believes that certain stewardship information should receive more audit scrutiny than it would if it were RSI. For RSI, the auditor reviews the data for overall compliance with associated guidance and for consonance with the basic financial statements. The auditor usually provides in-depth review of the RSI only if there appears to be some problem with the data. If he or she believes that the data is not fairly presented, the auditor still may issue a clean opinion on the basic financial statements while noting that there are problems with the RSI.

115. Therefore, the Board has proposed that a new category, RSSI, be designated to cover stewardship reporting. By developing this new category, it is anticipated that audit standards will be developed to address the specific items in that category. Although the Board does not have authority to set audit standards, it established RSSI with the expectation that OMB and GAO will, in collaboration, determine appropriate audit procedures for this information.

Social Insurance

116. Consideration of guidance for the recognition, measurement and display of obligations for social insurance programs has continued to present the Board with significant, vexing theoretical and practical problems. The Board notes the strength of feelings of respondents and commentators, some of whom believe a liability should be recognized for amounts that will be paid in future periods to or on behalf of current or future program beneficiaries and others who believe that there is no obligation associated with these programs that meets the definition of a liability, other than amounts due and payable at the end of an accounting period; additionally, some favor disclosure of projected data relating to the magnitude of the present value of future net benefit payments at a particular date while others favor cash flow information for a long period of time. The Board notes too the magnitude and complexity of these programs and the extreme sensitivity of projections relating to the programs to assumptions whose range of possibilities is large. More importantly, the Board notes that social insurance programs are presently being studied and discussed frequently and seriously within government and by the public; a report and recommendations are expected shortly from the 1994-95 Quadrennial Advisory Council on Social Security. The prospects of significant changes to the programs are reasonably high.

117. After deliberating the issue, the Board has concluded that additional investigation and further deliberation is required and has directed the FASAB staff to continue to research social insurance issues focusing especially on: identifying the characteristics of programs which should cause them to be subject to the guidance provided in a Statement on Social
Insurance; the appropriate display of information in the financial statements; the identification of additional information, if any, which should be required for social insurance programs; the means for measurement of financial data included in such additional information; and, the desirability of nonfinancial indicators (ratios of data to GDP or “covered payroll”) to describe the status of programs or the implications of potential changes to or needs of the programs. The Board has instructed the staff to be mindful of all current developments in structuring its research and its recommendations.

Expensing Stewardship PP&E

118. Echoing their earlier comments to the Board’s Exposure Draft, *Accounting for Property, Plant, and Equipment*, some respondents expressed concern that expensing rather than capitalizing costs associated with stewardship PP&E would lessen the value of the operating statement as a tool for performance measurement since it would overstate the cost in the year an asset is acquired.

119. The Board, however, believes that capitalizing and depreciating stewardship PP&E provides information that is of little usefulness. Stewardship PP&E includes heritage assets, Federal mission PP&E, and stewardship land. Period costs related to stewardship PP&E are of diminished usefulness because of uncertain useful life (e.g., heritage assets, Federal mission PP&E), uncertain historical cost basis (e.g., stewardship land), or probability of being destroyed in use (e.g., Federal mission PP&E). Therefore, the Board believes that attempting to capitalize and depreciate stewardship PP&E is not warranted. It believes that reporting on information related to the existence and the condition of the stewardship PP&E has more relevance to decision-makers and other users of the financial report.

Costing Of Federal Mission PP&E [SFFAS 11]

120. Respondents to the Board’s question on whether the alternatives of presenting costs of Federal mission PP&E in terms of either total (historical) or latest acquisition cost generally believed that both options should not be allowed. Some believed that use of alternative methods would not ensure consistency in reporting. Others believed that only total (historical) costs should be used. Still others believed that total (historical) cost should be the long-term goal, with the use of latest acquisition cost allowed only until such historical cost data would be available.

121. The Board, however, recognizes that significant practical problems may arise if an agency is compelled to adopt a specified costing approach for reporting stewardship assets, and that such cost approach would not be used for computing the net cost of operations. Therefore, it believes that its decision to accept either the historical cost or latest acquisition cost
method is appropriate. However, it also emphasizes that once a method is chosen, an entity should switch to the other method only with appropriate justification.

### Reporting Expense Or Outlay Data

122. The standards require that expense data be reported for investments in human capital, research and development, and nonfederal physical property. The standards also provide for a period of 5 years to transition to reporting expense data for those agencies that currently maintain only outlay data. Some Board members suggested that since some agencies currently maintain only outlay data, requiring that only outlay data be reported might be more practical. However, the responses reflected a clear consensus for reporting expenses, with little or no support for reporting outlays only, and a minority preferring to report both expenses and outlays. Therefore, the standards, as proposed, remain unchanged.

### Request For More Specificity In Reporting Requirements

123. When the Board developed the standards for stewardship reporting, its intention was to provide overall guidance on definitions, recognition, measurement, and minimum and recommended reporting. This broad guidance was intended to provide the basic reporting requirements while allowing each entity maximum flexibility in such areas as determining what constitutes the individual stewardship items for that entity, which costs are directly attributable to the stewardship item, and how best to report on multi-use items so that users will gain the best picture of the entity’s financial and performance information.

124. The Board believes that the desire for more specific guidance expressed by several respondents stems from the belief that without such guidance, an entity’s determination of how to apply the standards could be questioned. Nevertheless, the Board reiterates its position that entities should be provided maximum flexibility when applying the stewardship standards. However, entities should make the determination of how best to apply the stewardship standards based on a thorough analysis of their individual entity, including its mission, financial practices, and the impact of its mission and operation on financial report users and on the Nation. Finally, all entity determinations of the applicability of stewardship standards should be thoroughly documented.
Issues For Which Changes Were Made To The Proposed Standards

125. **Multiple Category Reporting.** Some respondents were concerned that there would be double counting if, as proposed by the standards, some stewardship items would be reported in two separate categories; for example, Yellowstone National Park would be reported as a heritage asset and as stewardship land.

126. Reporting supplementary stewardship information in two categories will not be deemed double counting. This is because where multiple reporting is required, the units of measure are different for each of the stewardship categories. In the example above, Yellowstone National Park would be reported under a category, such as “National Parks,” as *one of the total number* of heritage assets under the auspices of the Department of the Interior; it also would be reported by the *number of acres* that it occupies under the stewardship land category for the Department. To clarify this point, the discussion of the process of multiple reporting was expanded in the statement to explain that the Board does not consider this reporting as double counting.

127. **Reporting the Fair Value for Stewardship PP&E Transferred to State or Local Governments.** Many respondents questioned the need for, and the cost/benefit of, requiring that the fair value of stewardship PP&E transferred to state and local governments be reported. They stated that monetary values for stewardship PP&E are not required to be reported because such values are either difficult to obtain (e.g., lack of historical cost data on land acquired at the birth of the Nation) or not meaningful (e.g., the historical cost to build the Washington Monument). Therefore, they questioned the cost/benefit of requiring that the fair value of stewardship property transferred to state and local governments be determined and reported.

128. The Board agreed that the fair value of stewardship property transferred to state and local governments need not be determined and reported. The standards have been revised to require a description of the property transfer transaction; if the fair value is known, nothing would preclude reporting it.

Effective Date For Consolidated Financial Statements

129. In considering required reporting of stewardship information, the Board became increasingly aware of the need to be highly selective in proposing requirements for the consolidated financial report of the Federal Government. It recognized the potential for implementation problems in the first few years after the effective date of this statement. In addition to the normal problems associated with adapting to new standards, several of these standards provide for a transition period during which agencies may or, in some cases, may not report
investments in human capital, research and development and nonfederal physical property; if investments are reported for each of five years as called for in this statement, they may be reported for earlier years during the transition period on the basis of either outlays or expense. The merit of reporting the aggregate of information prepared on different bases is questionable.

130. Further, the information required to be reported by these standards goes beyond that customarily accompanying financial reports of governments or commercial enterprises. Standards related to heritage assets and stewardship land call for reporting in terms of physical units (e.g., number of parks or acres of land) rather than in terms of historical cost. Implementation problems are foreseen at the consolidated statement level because of differing measures. Also, the Board is concerned with the possibility of establishing requirements so detailed as to render the consolidated financial report unwieldy, unfriendly to the potential user and obfuscating of important information.

131. Because of these possible implementation problems and the need to consider other disclosures or presentations, the Board expressed a desire for further deliberations relative to the consolidated financial report of the Federal Government.

132. Accordingly, the effective date of this statement will be for fiscal years beginning after September 30, 1997 as it relates to financial statements of component units of the Federal Government; this same effective date applies to chapter 8 as it relates to the consolidated financial statements of the Federal Government. The effective date of the statement as it applies to the consolidated financial statements, except for chapter 8, is deferred pending further deliberations of the Board. In the interim, the consolidated financial reports should include such summary or selected information as is feasible. Experimentation is encouraged, as is the reporting of such additional information as will enhance the financial report.

Reporting Of Information Not Specifically Addressed In The Standards

133. Some respondents requested that the standards provide for reporting additional information, such as transfers of stewardship property to foreign governments, stewardship land sold to the private sector, the Federal Government’s interest in such things as property held by nonfederal entities or patents generated through Federal research and development funds, and foreign contributions to Federal programs.

134. In developing the standards for stewardship reporting, the Board concentrated on providing guidance in the principal areas of stewardship resources that have materiality for the majority of Federal entities and for the consolidated financial reporting for the Nation. The
Board’s intent was to ensure that these significant areas, if material for an entity, would be reported regularly and in a consistent manner.

135. In some cases, an entity may have other resources or obligations that were not specifically addressed in the stewardship standards, but that the entity believes may be material to the presentation of its stewardship information. In such cases, if the reporting of such additional data would be useful and relevant to readers, and would provide a better indication of the resources and obligations of the entity, the Board encourages such reporting.
Appendix B: Sample Reports

NOTE: The sample report sections in Appendix B are intended to illustrate the type of reporting contemplated by the Board. Certain data are taken from various reports for one or more recent years and are “actual data.” Other data have been estimated by judgmentally extrapolating from “actual data.” Still other data and program references have been fabricated and are hypothetical. Therefore, readers should not rely on the validity of the data in the sample reports.

Specific form and content guidance on financial reports will be provided by OMB.

Nonfederal Physical Property

Annual Stewardship Information For The Fiscal Year Ended September 30, 199Z

Annually, the Federal Government provides funding to state and local governments for the purchase, the construction, or the major renovation of physical property owned by state and local governments; additionally, from time to time, the Federal Government transfers PP&E to these governments in exchange for less than fair value. These grants and transfers relate to roads and transportation systems, clean water and environmental projects, and other projects for the common good.

The investments in nonfederal physical property in the 5 years from 199V to 199Z were as follows:

<table>
<thead>
<tr>
<th>Nonfederal Physical Property Annual Stewardship Information for the Fiscal Year Ended September 30, 199Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dollars in billions</td>
</tr>
<tr>
<td>Transportation</td>
</tr>
<tr>
<td>Natural Resources and Environment</td>
</tr>
<tr>
<td>Community and Regional Development</td>
</tr>
<tr>
<td>Administration</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

mIncluded as expenses in calculating net cost.

nExpenses of administration include an appropriate allocation of agency overhead costs.
In addition to the transfers shown above in the “Community and Regional Development” category, the fair value of land and facilities associated with former military installations that were transferred to local governments approximated $40 million in 199Y and $52 million in 199Z.

Certain transportation and environmental programs involving Federal investments of $22 billion and $4 billion, respectively, in 199Z required matching support by local governments of about 20 percent and 80 percent of the Federal grants.

Human Capital

Annual Stewardship Information For the Fiscal Year Ended September 30, 199Z

Federal investment in human capital comprises those expenses for education and training programs for the general public that are intended to increase or maintain national economic productive capacity. It does not include expenses for internal Federal education and training. Expense data are expressed in nominal dollars for the fiscal year being reported upon and the preceding 4 fiscal years.

Following is a summary of stewardship data for the program entitled, Transition Training for Former Navy Contractor Personnel\(^4\), for the 5 fiscal years ending September 30, 199V through 199Z:

<table>
<thead>
<tr>
<th>Program Expenses ($000s)(^6)</th>
<th>199V</th>
<th>199W</th>
<th>199X</th>
<th>199Y</th>
<th>199Z(^6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counseling</td>
<td>$ 373</td>
<td>$ 508</td>
<td>$ 740</td>
<td>$ 980</td>
<td>1,053</td>
</tr>
<tr>
<td>Education</td>
<td>786</td>
<td>2,381</td>
<td>3,860</td>
<td>5,621</td>
<td>7,053</td>
</tr>
<tr>
<td>Administration(^4)</td>
<td>847</td>
<td>1,165</td>
<td>1,224</td>
<td>1,367</td>
<td>1,584</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 2,005</strong></td>
<td><strong>$ 4,054</strong></td>
<td><strong>$ 5,824</strong></td>
<td><strong>$ 7,968</strong></td>
<td><strong>9,690</strong></td>
</tr>
</tbody>
</table>

\(^6\)Included as expenses in calculating net cost.

\(^4\)Expenses are reported on an accrual basis, including contractual amounts due for counseling services delivered and educational costs incurred by participants.

\(^4\)Expenses of administration include an appropriate allocation of agency overhead costs.

\(^4\)This hypothetical program is for illustration only.
Program Outcomes

Preliminary data appear to confirm that the services provided by the program accelerate the transition of participants into alternative employment; some savings are realized in the Unemployment Insurance Fund. A follow-up survey of the 415 participants in the year 199W showed that 80% were earning at least as much as they were earning in their Navy contractor positions. A more extensive evaluation, including an assessment of effects on long-term earnings, is currently planned for completion in 1999.

Narrative Discussion

This program was authorized in 19XX (by P.L. XX-XXX) to ease the transition into other civilian positions of skilled technical, administrative, and managerial personnel who are no longer needed in certain shipyards because of declining orders for Navy ship construction.

Eligibility is limited to those who have been employed at designated shipyards for at least 5 years, but who are not yet eligible for retirement benefits. Participants receive intensive counseling to help them develop individual transition plans. This counseling is provided by a private job placement service under contract. Participants are then reimbursed up to $5,000 per year for up to 2 years, not to exceed 80 percent of the cost of the cost of tuition, fees, books, and other student materials required for attendance at approved educational institutions.

An additional increment of education or technical training is expected to reduce the period of transitional unemployment and increase the subsequent earnings of participants.
Research and Development

Annual Stewardship Information For the Fiscal Year Ended September 30, 199Z

Federal investment in research and development comprises those expenses for basic research, applied research, and development that are intended to increase or maintain national economic productive capacity or yield other benefits. Expense data are expressed in nominal dollars for the fiscal year being reported upon and the preceding 4 FYs.

Following is a summary of stewardship data for the Ceramic Materials Research Program42 for the 5 fiscal years ending September 30, 199V through 199Z:

Program: Ceramic Materials Research Program

<table>
<thead>
<tr>
<th>Program Expenses(\textsuperscript{a})</th>
<th>199V</th>
<th>199W</th>
<th>199X</th>
<th>199Y</th>
<th>199Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Research</td>
<td>$106</td>
<td>$124</td>
<td>$136</td>
<td>$132</td>
<td>$143</td>
</tr>
<tr>
<td>Applied Research</td>
<td>93</td>
<td>101</td>
<td>107</td>
<td>118</td>
<td>121</td>
</tr>
<tr>
<td>Development(\textsuperscript{b})</td>
<td>46</td>
<td>62</td>
<td>73</td>
<td>68</td>
<td>82</td>
</tr>
<tr>
<td>Administration</td>
<td>14</td>
<td>16</td>
<td>17</td>
<td>19</td>
<td>21</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$259</strong></td>
<td><strong>$303</strong></td>
<td><strong>$333</strong></td>
<td><strong>$337</strong></td>
<td><strong>$367</strong></td>
</tr>
</tbody>
</table>

\(\textsuperscript{a}\)Included as expenses in calculating net cost.

\(\textsuperscript{b}\)Expenses are reported on an accrual basis and include an allocation of overhead costs.

\(\textsuperscript{c}\)Development grants are for a fixed amount, not to exceed 50 percent of the cost of the project.

Program: Outputs and Outcomes

<table>
<thead>
<tr>
<th>Interagency Agreements and Contracts</th>
<th>199V</th>
<th>199W</th>
<th>199X</th>
<th>199Y</th>
<th>199Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>New</td>
<td>45</td>
<td>38</td>
<td>41</td>
<td>37</td>
<td>44</td>
</tr>
<tr>
<td>Continuation</td>
<td>28</td>
<td>52</td>
<td>55</td>
<td>61</td>
<td>68</td>
</tr>
</tbody>
</table>

\(\textsuperscript{a}\)Indicated inventions financed with federal funds to which the government has patent rights, in accordance with the Bayh-Dole Act.

42This hypothetical program is for illustration only.
Programs Outcomes:

The increasing number of articles published on the basis of funded research, including announcements of several newly discovered properties of certain composite ceramics, is evidence of the utility of this part of the program. The number of patents emerging from the program is also increasing, primarily from the development component of the program.

Narrative Discussion:

This program was authorized in 19XX (by P.L. XX-XXX) to accelerate the development of this industry in the United States. The research element of the program operates through interagency agreements with the Federal laboratories and grants to university researchers. The researchers are selected through peer review procedures. The development component provides grants to private firms to develop improved manufacturing procedures for ceramic materials-based products and to accelerate the development of marketable products incorporating advanced ceramic materials.

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⁻Indicated inventions financed with federal funds to which the government has patent rights, in accordance with the Bayh-Dole Act.
Appendix C: Glossary

See Consolidated Glossary in “Appendix E: Consolidated Glossary”.