Frequently Asked Questions:
Office of Management and Budget (OMB) Circular A-87

Q1. What is the Office of Management and Budget (OMB) Circular A-87 Exception?
A1. OMB Circular A-87 requires costs associated with building shared state-based Information Technology (IT) systems that support multiple health and human service programs be allocated across all benefitting programs in proportion to their use of the system. The OMB A-87 Exception revised this approach by allowing human service programs (e.g. SNAP, TANF, LIHEAP, etc.) and others to utilize a wide range of IT components, needed by Medicaid but also of use to these other programs, at no additional cost except for interfaces or other uniquely required services specific to those programs. The A-87 Exception applies only to design, development, and implementation. Maintenance and operations work should continue to be allocated in accordance with the A-87 Circular. OMB Circular A-87 – Cost Principles for State, Local, and Indian Tribal Governments, has been Relocated to 2 CFR, Part 225

Q2. When does the OMB A-87 Exception expire?
A2. On July 20, 2015, the U.S. Department of Health and Human Services and the U.S. Department of Agriculture announced a three-year extension of the Exception to the OMB A-87 cost allocation requirements from December 31, 2015 to December 31, 2018. We are currently making plans for the OMB A-87 exception to end.

Q3. What is the impact of the Expiration for states utilizing the exception for system integration development?
A3. States will need to incur costs for goods and services furnished no later than December 31, 2018 to make use of this Exception. Therefore, if work is completed by December 31, 2018, it can be funded under the OMB A-87 Exception and states should follow typical invoicing and claiming processes. However, if an amount has been obligated by December 31, 2018, but the good or service is not furnished by that date, then such expenditure must be cost allocated by program in proportion to their use of the system in accordance with OMB A-87.
Q4. How should states account for OMB A-87 exception in their Advance Planning Documents (APD)?

A4. For FFY2019 annual APDs and budget tables, including the Medicaid Detailed Budget Table (MDBT), must be completed as follows:

- For Q1 FFY2019, states can allocate costs in accordance with the OMB A-87 Exception
- For Q2-Q5 FFY2019, and all APDs going forward, states should allocate costs as required under the OMB A-87 Circular

If a state has already submitted their annual APDs without providing separate budgets they will need to complete an APDU with a revised MDBT and cost allocation plan. The update should address how cost allocation will be done prior to, and after, December 31, 2018. Budget tables should be completed as described above.

The Data and Systems Group (DSG) that approves APDs does not approve cost allocation methodology. States working to develop their new methodologies should send operational cost allocation plans to Cost Allocation Services and the regional office fiscal staff for all benefiting programs.