

EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WASHINGTON 25, D.C.

September 23, 1959

CIRCULAR NO. A-25

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: User Charges

1. Purpose. Bureau of the Budget Bulletin No. 58-3 of November 13, 1957, set forth some general policies for developing an equitable and uniform system of charges for certain Government services and property. This Circular incorporates the policies contained in that Bulletin and gives further information with respect to: (a) the scope of user charge activities; (b) guidelines for carrying out the approved policies; and (c) agency submission of periodic status reports. It also prescribes Standard Form No. 4 on which periodic status reports are required.

Because this Circular applies also to the areas previously covered by Bureau of the Budget Circular No. A-28 of January 23, 1954, that Circular is hereby rescinded.

2. Coverage. Except for exclusions specifically made hereafter, the provisions of this Circular cover all Federal activities which convey special benefits to recipients above and beyond those accruing to the public at large. The specific exclusions which continue to be governed by separate policies are fringe benefits for military personnel and civilian employees; sale or disposal under approved programs of surplus property; postal rates; interest rates; and fee aspects of certain water resources projects (power, flood control, and irrigation). In addition this Circular does not apply to activities of the legislative and judicial branches, the municipal government of the District of Columbia, the Panama Canal Company or the Canal Zone Government.

3. General policy. A reasonable charge, as described below, should be made to each identifiable recipient for a measurable unit or amount of Government service or property from which he derives a special benefit.

- a. Special services.

- (1) Where a service (or privilege) provides special benefits to an identifiable recipient above and beyond those which accrue to the public at large, a charge should be imposed to recover the full cost to the Federal Government of rendering that service. For example, a special benefit will be considered to accrue and a charge should be imposed when a Government-rendered service:

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- (a) Enables the beneficiary to obtain more immediate or substantial gains or values (which may or may not be measurable in monetary terms) than those which accrue to the general public (e.g., receiving a patent, crop insurance, or a license to carry on a specific business); or
  - (b) Provides business stability or assures public confidence in the business activity of the beneficiary (e.g., certificates of necessity and convenience for airline routes, or safety inspections of craft); or
  - (c) Is performed at the request of the recipient and is above and beyond the services regularly received by other members of the same industry or group, or of the general public (e.g., receiving a passport, visa, airman's certificate, or an inspection after regular duty hours).
- (2) No charge should be made for services when the identification of the ultimate beneficiary is obscure and the service can be primarily considered as benefitting broadly the general public (e.g., licensing of new biological products).
- b. Lease or sale. Where federally owned resources or property are leased or sold, a fair market value should be obtained. Charges are to be determined by the application of sound business management principles, and so far as practicable and feasible in accordance with comparable commercial practices. Charges need not be limited to the recovery of costs; they may produce net revenues to the Government.

4. Agency responsibility. The responsibility for the initiation, development, and adoption of schedules of charges and fees consistent with the policies in this Circular continues to rest with the agency. Each agency shall:

- a. Identify the services or activities covered by this Circular;
- b. Determine the extent of the special benefits provided;
- c. Apply accepted cost accounting principles in determining costs;
- d. Establish the charges; and

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- e. In determining the charges for the lease and sale of Government-owned resources or property, apply sound business management principles and comparable commercial practices.

5. Cost, fees and receipts, and their determination.
  - a. Determination of costs. Costs shall be determined or estimated from the best available records in the agency, and new cost accounting systems will not be established solely for this purpose. The cost computation shall cover the direct and indirect costs to the Government of carrying out the activity, including but not limited to:
    - (1) Salaries, employee leave, travel expense, rent, cost of fee collection, postage, maintenance, operation and depreciation of buildings and equipments, and personnel costs other than direct salaries (e.g., retirement and employee insurance);
    - (2) A proportionate share of the agency's management and supervisory costs;
    - (3) A proportionate share of military pay and allowances, where applicable;
    - (4) The costs of enforcement, research, establishing standards, and regulation, to the extent they are determined by the agency head to be properly chargeable to the activity.
  - b. Establishment of fees to recover costs. Each agency shall establish fees in accordance with the policies and procedures herein set forth. The provisions of this Circular, however, are not to be construed in such a way as to reduce or eliminate fees and charges in effect on the date of its issuance. The maximum fee for a special service will be governed by its total cost and not by the value of the service to the recipient. The cost of providing the service shall be reviewed every year and the fees adjusted as necessary. In establishing new fees and increasing existing fees the agency may make exceptions to the general policy (paragraph 3, above) under such conditions as illustrated below.
    - (1) The incremental cost of collecting the fees would be an unduly large part of the receipts from the activity.
    - (2) The furnishing of the service without charge is an appropriate courtesy to a foreign country or international organization; or comparable fees are set on a reciprocal basis with a foreign country.

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- (3) The recipient is engaged in a nonprofit activity designed for the public safety, health, or welfare.
- (4) Payment of the full fee by a State, local government, or nonprofit group would not be in the interest of the

program.

- c. Disposition of receipts. Legislative proposals shall generally avoid disturbing the present rule that collections go into the general fund of the Treasury as miscellaneous receipts. However, exceptions may be made where:
- (1) It is intended that an agency or program or a specifically identifiable part of a program be operated on a substantially self-sustaining basis from receipts for services performed or from the sale of products or use of Government-owned resources or property.
  - (2) The agency can show that the initiation or increase of fees or charges is not feasible without earmarking of receipts.
  - (3) The receipts are in payment of the cost of authorized special benefits for which the demand is irregular or unpredictable, such as inspections performed upon request outside the regular duty hours.

This Circular is not intended to change the present system of sharing with States and counties receipts from the lease of certain lands and the sale of certain resources.

6. Changes in existing law. In cases where collection of fees and charges for services or property in accordance with this Circular is limited or restricted by provisions of existing law, the agencies concerned will submit appropriate remedial legislative proposals to the Bureau of the Budget under the established clearance procedure, as provided in Bureau of the Budget Circular No. A-19.

7. New activities. In the establishment of new Federal activities which would provide special benefits, the agencies concerned are to apply the policies and criteria set forth in this Circular.

8. Reports to the Bureau of the Budget. Each agency shall make a report by December 31, 1959, for each bureau or comparable organizational unit, of the costs and charges for all services or property covered by this Circular, and shall also make a report of changes not later than

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December 31 of each succeeding year as a result of its annual review of such costs and charges. The initial report for any agency hereafter established (including those established by reorganization) shall be submitted on December 31 following the end of the first fiscal year during which the agency was in operation. Each report shall cover the situation as of the preceding June 30, and shall be prepared in accordance with the instructions set forth in the attachments to this Circular.

By direction of the President:

MAURICE H. STANS  
Director

Attachments

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Attachment A  
Circular No. A-25

INSTRUCTIONS FOR THE PREPARATION OF  
ANNUAL REPORTS ON USER CHARGES

1. Form and coverage of reports. Reports shall be prepared on Standard Form No. 4, as illustrated in Attachment B. An original and two copies will be required.

The initial report should represent a complete inventory of all services of the agency which provide a special benefit to recipients above and beyond those accruing to the public at large, and all activities under which federally owned resources or property are or could be sold or leased.

Subsequent reports covering the annual review of costs and charges shall cover only (a) services and activities not reported earlier; (b) services and activities for which charges have been charged; and (c) services and activities for which changes in the applicable category (as described below) have taken place.

2. Preparation of Standard Form No. 4.

- a. A separate form will be prepared for each of the following categories, where applicable:
- (1) Special services for which existing charges are producing full cost recovery; and lease or sale activities which are returning fair market value.
  - (2) Special services for which existing charges are producing less than full cost recovery; and lease or sale activities for which less than fair market value is being obtained.
  - (3) Special services and activities for which no charges are currently being made, and for which charges are apparently required by the provisions of this Circular.
  - (4) Special services and activities for which no charges are to be made in accordance with the policy guidelines and exceptions provided in this Circular.
  - (5) Services and activities which have been discontinued or transferred to other agencies

since the previous report. (This category is not applicable to the initial report.)

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The category of item covered by each form will be identified in the heading by placing an "X" in the box corresponding with the number of the category as shown above. Forms need not be submitted for categories in which there is nothing to be reported.

b. Columns on the form will be completed as follows:

- (1) Enter the identification number for the service or activity. Each service and activity shall be assigned an identification number which shall be retained from year to year, to facilitate identification in future annual reports. Agencies may devise their own coding systems for this purpose.
- (2) List each special service provided under a heading "Special services", and each lease or sale activity under a heading "Lease or sale."
- (3) Enter the unit for measuring the service or property provided,
- (4) Enter the amount of the charge being made for each unit as of the preceding June 30. In cases where there are various rates for differing situations, a summary schedule of rates may be attached in lieu of list of each rate individually.
- (5) Enter the date the charge shown in column 4 became effective.
- (6) Enter the amount of the charge which was made previous to the date in column 5.
- (7) Enter the number of units of activity for the last completed fiscal year.
- (8) Enter (in thousands of dollars) the cost of providing the service or the fair market value of resources or property sold or leased.
- (9) Enter (in thousands of dollars) the amount of collections (net of refunds) during the last completed fiscal year.



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EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WASHINGTON, D.C. 20503

October 22, 1963

Circular No. A-25  
Transmittal Memorandum No. 1

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: User charges

1. Purpose. This transmittal memorandum amends Circular No. A-25 of September 23, 1959: (a) to change the date on which annual reports are due in the Bureau of the Budget, (b) to provide for additional information with regard to receipts derived from user charges and (c) to require the submission of a user charges inventory every fifth year beginning with the fiscal year 1964.

2. Annual status reports to the Bureau of the Budget. Paragraph 8 of the Circular is amended to read:

"Each agency shall make a report to the Bureau of the Budget by September 30 of each year (except that the report for the fiscal year 1963 is due November 30, 1963), for each bureau or comparable organizational unit, giving the following information as of the preceding June 30:

- a. All changes in costs or charges for services or property covered by the Circular, as well as the establishment of new user charges. This report will be based on the agency's annual review of such costs and charges. (See Attachments A and B).
- b. Total collections from user charges during the fiscal year.

Negative reports for subsection a need not be submitted; however, in those instances, the report required by subsection b must be submitted."

New Attachments A and B supersede the attachments to the original Circular.

3. User charges inventory. The Circular is amended by adding a new paragraph 9 as follows:

"Beginning with the report due September 30, 1964, and every

fifth year thereafter, each agency will submit a complete inventory of all user charges in effect on the preceding June 30. This report will be submitted in lieu of the report required by section 8a for those years.

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The initial report for any new agency hereafter established (including those established by reorganization) shall be submitted by September 30 following the first fiscal year during which the agency is in operation. This report will be an inventory of all costs and charges for services or property covered by this Circular."

KERMIT GORDON  
Director

Attachments

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ATTACHMENT A  
Circular No. A-25  
Transmittal Memorandum No. 1

INSTRUCTIONS FOR THE PREPARATION OF  
ANNUAL REPORTS ON USER CHARGES

1. Form and coverage of reports. Reports required by this Circular shall be prepared on Standard Form No. 4 (see Attachment B). Annual status reports will cover the changes in costs and charges for services and property and the establishment of new user charges occurring since the last report. Negative reports are not required.

Each status report will be accompanied (or if no status report is required, submitted alone) by a table showing total amounts collected from user charges for the preceding year. This table should show a total for amounts deposited to miscellaneous receipts, without identifying the receipt accounts to which the deposit was made. Collections deposited to the credit of appropriations or funds (reimbursements to appropriations, trust funds, and revolving and management funds) should be separately listed, identified by account title and symbol, and the amount credited to each.

Initial reports of new agencies and the inventory report required every five years, should represent a complete record of all services of the agency which provide a special benefit to recipients above and beyond those which accrue to the public at large, and all activities under which federally owned resources or property are or could be leased or sold.

An original and two copies of each report will be required.

2. Preparation of Standard Form No. 4.

a. A separate form will be prepared for each of the following categories, where applicable:

- (1) Special services for which existing charges are producing full cost recovery; and lease or sale activities which are returning fair market value.
- (2) Special services for which existing charges are producing less than full cost recovery; and lease or sale activities for which less than fair market value is being obtained.
- (3) Special services and activities for which no charges are currently being made, and for which charges are apparently required by the provisions of this Circular.

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- (4) Special services and activities for which no charges are to be made in accordance with the policy guidelines and exceptions provided in this Circular.
- (5) Services and activities which have been discontinued or transferred to other agencies since the previous report. (This category is not applicable to the inventory reports.)

The category of items covered by each form will be identified in the heading by placing an "X" in the box corresponding with the number of the category as shown above. Forms need not be submitted for categories in which there is nothing to be reported.

b. Columns on the form will be completed as follows:

- (1) Enter the identification number for the service or activity. Each service and activity shall be assigned an identification number which shall be retained from year to year, to facilitate identification in future annual reports. Agencies may devise their own coding systems for this purpose. Agencies may revise identification numbers on inventory reports.
- (2) List each special service provided under a heading "Special services," and each lease or sale activity under a heading "Sale or lease."
- (3) Enter the unit for measuring the service or property provided.

- (4) Enter the amount of the charge being made for each unit as of the preceding June 30. In cases where there are various rates for differing situations, a summary schedule of rates may be attached in lieu of listing each rate individually.
  - (5) Enter the date the charge shown in column 4 became effective.
  - (6) Enter the amount of the charge which was made previous to the date in column 5.
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- (7) Enter the number of units of activity for the last completed fiscal year.
- (8) Enter (in thousands of dollars) the cost of providing the service or the fair market value of resources or property sold or leased.
- (9) Enter (in thousands of dollars) the amount of collections (net of refunds) during the last completed fiscal year.
- (10) Enter the symbol of the receipt account, appropriation account, or fund account to which the collections were credited. In cases where payments are credited to deposit funds until earned, report only the amounts actually paid to other accounts.
- (11) Enter any pertinent explanatory comments relating to the information shown in the preceding columns. On reports covering categories 2, 3, and 4, specifically note in this column, for each item, the reason(s) that full cost recovery or fair market value is not obtained. Also indicate whether full cost recovery for special services or fair market value for lease and sale activities can be obtained under existing law; the status of specific legislative proposals (e.g., under study, drafted, cleared, introduced, or reported); and the status of proposed administrative changes in fees and charges, including effective dates.

Where there has been a change in category for an item, indicate in this column the previous category in which the item was reported. On reports covering category (5), identify the services and activities transferred to other agencies or organizational units and the agency or organizational unit to which the transfer was made.



immediately:

a. Instructions for the preparation of annual reports on user charges. Attachments A and B of Circular No. A-25, Transmittal Memorandum No. 1 dated October 22, 1963, are rescinded.

b. Reports to the Bureau of the Budget. Paragraph 8 of Circular No. A-25 is deleted.

c. User Charges Inventory. Paragraph 9 of Circular No. A-25 is deleted.

ROY L. ASH  
DIRECTOR

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