The Committee is working under tight timeframes to meet the reporting requirement in the Affordable Care Act. Due to the complexity of the issue, the Committee has been granted additional time to meet its final report deadline. As a result, meetings were added to the Committee schedule. The logistical challenges of expanding the meeting schedule hindered an earlier publication of this meeting notice.

Dated: August 22, 2011.

Reva Harris,
Acting Director, Division of Policy and Information Coordination.

Suzanne Rudzinski,
Director, Office of Resource Conservation and Recovery, Office of Solid Waste and Emergency Response.

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required to use the three factor formula to allocate residual home office expenses to the segments. To update the thresholds to reflect the changed economic and business environment since they were initially established, the parties took different approaches to revising the thresholds. One party advocated that the operating revenue thresholds be raised by 400 percent to reflect the changes in the consumer price index (CPI) from 1973 to 2003. The other party urged the Board to conduct a Staff Study, similar to that performed by the Board to establish the current thresholds. On February 13, 2008, the CAS Board published a Staff Discussion Paper (SDP) on the Allocation of Home Office Expenses to Segments as the first step in its review to determine whether the current CAS 403 thresholds should be revised (73 FR 8260).

C. Public Comments

Three respondents submitted comments in response to the SDP. Two respondents supported a comprehensive study to determine the appropriate operating revenue thresholds at 48 CFR 9904.403–40(4) for the application of the three factor formula described at 48 CFR 9904.403–50(4), while another respondent supported adjusting the current thresholds by the change in the CPI. The arguments for the comprehensive study included the development of objective data to understand the impact of adjusting the operating revenue thresholds upon contractors subject to the three factor formula, and the possibility to measure the relationship of residual expenses to operating revenue for a representative contractor population. An impediment to conducting the comprehensive study is the time and effort required to compile and evaluate the data. In support of adjusting the current operating revenue thresholds by the change in the CPI, a respondent argued that the CPI is readily available and an independent, objective measure, while the Staff Study will require significant time and effort to accomplish without any certainty that the results would materially differ or be demonstrably superior to a CPI indexing approach. The other respondents noted that increasing the current thresholds by the change in the CPI was arbitrary and would risk exposing the acquisition community to the same underlying conditions which caused the CAS Board to promulgate CAS 403 originally.

Response: The CAS Board noted the arguments provided by the respondents.

D. Conclusion

After reviewing the comments and regulatory history of CAS 403, the CAS Board believes that it would be prudent to discontinue the review of the CAS 403 three factor formula operating revenue thresholds at this time. No evidence has been presented to the Board that the current thresholds are creating an inequity, or that adjusting the thresholds would substantially change the outcome. i.e., the pool of contractors required to use the three factor formula to allocate residual home office expenses to the segments would not change significantly. The Board will revisit the issue in the future if circumstances warrant doing so.

Daniel I. Gordon,
Chair, Cost Accounting Standards Board.
[FR Doc. 2011–21897 Filed 8–25–11; 8:45 am]

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OFFICE OF MANAGEMENT AND BUDGET
Office of Federal Procurement Policy
48 CFR Part 9904
Cost Accounting Standards: Accounting for Insurance Costs

AGENCY: Cost Accounting Standards Board (Board), Office of Federal Procurement Policy (OFPP), Office of Management and Budget (OMB).

ACTION: Notice of Discontinuation of Rulemaking.

SUMMARY: The Office of Federal Procurement Policy (OFPP), Cost Accounting Standards (CAS) Board, is providing public notification of the decision to discontinue the rulemaking on the development of an amendment to Cost Accounting Standard (CAS) 416 regarding the use of the term "catastrophic losses" at 48 CFR 9904.416–50(b)(1).


SUPPLEMENTARY INFORMATION:

A. Regulatory Process

Rules, Regulations and Standards issued by the Cost Accounting Standards Board (Board) are codified at 48 CFR chapter 99. The Office of Federal Procurement Policy Act, at 41 U.S.C. 1502(c) (formerly, 41 U.S.C. 422(g)), requires the Board, prior to the establishment of any new or revised Cost Accounting Standard, to complete a prescribed rulemaking process. The process generally consists of four steps.

The Board has already completed step one of the statutory rulemaking process, which requires the Board to consult with interested persons concerning the advantages, disadvantages, and improvements anticipated in the pricing and administration of government contracts as a result of the adoption of a proposed Standard. This notice announces the discontinuation of the rulemaking after completing step one of the four-step process in accordance with the requirements at 41 U.S.C. 1502(c).

B. Background and Summary

Prior Promulgations

In a letter dated September 26, 2000, the Office of the Under Secretary of Defense for Acquisition, Technology and Logistics requested that the Board consider whether the word “catastrophic” in the term “catastrophic losses” should be replaced with a term such as “significant” or “very large” in 9904.416–50(b)(1) in order to (a) more closely align the Standard with what was intended by its original promulgators and (b) eliminate any confusion between 9904.416–50(b)(1) and FAR 31.205–19. Insured cost. At its May 13, 2005 meeting, the CAS Board directed the staff to begin work on a Staff Discussion Paper (SDP). On January 26, 2006, the Board published the SDP, “Accounting for Insurance Costs” (71 FR 4335) which in particular, addressed the use of the term “catastrophic losses” in CAS 416.

Public Comments

The Board received public comments from two respondents to the SDP. One respondent was concerned whether the term “catastrophic losses” is intended to create a classification of event characterized by rare occurrence and significant loss, or whether it is only the magnitude of a given loss that is defining as “catastrophic.” This respondent believed that self-insurance should be an acceptable method to cover catastrophic losses, such as earthquakes and wind damage, as well as “other significant and non-recurring losses such as unusually large medical claims, major fires, or other losses that are significantly higher than might normally be expected.” A primary concern was that “the FAR, however, does not definitively address their allowability and CAS is unclear how costs for such significant actual self insured losses are to be measured and reflected in projected annual average losses.”