

BASICS OF DIRECT & INDIRECT COSTS FOR LOCAL EDUCATION AGENCIES (LEAs)

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OVERVIEW

- Classification of Costs
- Direct Costs
- Indirect (F&A) Costs
- Restricted Indirect Cost Rate
- Unrestricted Indirect Cost Rate
- Helpful Tools

CLASSIFICATION OF COSTS

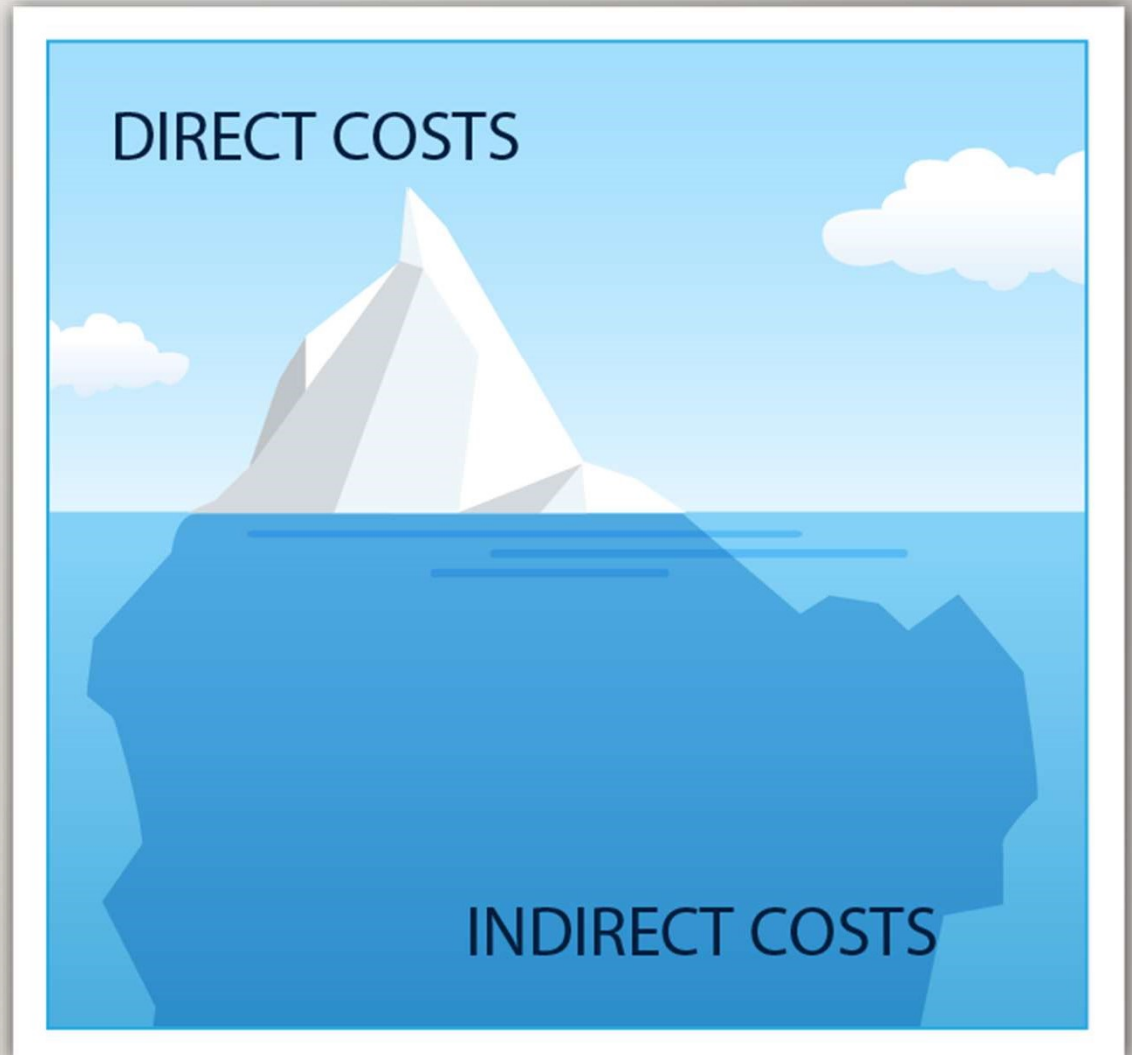
2 CFR 200.412 CLASSIFICATION OF COSTS

- No universal rule for classifying costs as either direct or indirect under every accounting system
- Some costs may be direct for one grant yet indirect for another grant
 - Example:
 - A program has 6 grants in which, typically, equipment purchases are indirect costs.
 - One grant allows equipment purchases. This equipment would be considered a direct cost for that one grant only.
- Avoid double-charging direct and indirect costs
 - Treat all costs with similar purpose consistently

Direct vs. Indirect Costs

Direct costs are the obvious actual costs that can be directly traced to the performance of the grant, award or contract.

Indirect costs, also known as F&A (facilities & administration), are the not-so-obvious overhead costs incurred during the performance of the grant, award or contract.



WHAT ARE DIRECT COSTS?

2 CFR 200.413 DIRECT COSTS

- Identifiable with cost objective (award letter)
- Directly assigned to funded activity relatively easily with a high degree of accuracy
- Typical direct costs may include:
 - Employee wages and benefits
(if integral to the project or activity)
 - Supplies
 - Purchased Services

WHAT ARE INDIRECT COSTS?

2 CFR 200.414 INDIRECT COSTS

- Two broad categories: *Facilities & Administration (F&A)*
 - Facilities:
 - Depreciation
 - Equipment
 - Capital Improvements
 - Operation and Maintenance
 - ✓ Utilities
 - ✓ Building Repairs
 - ✓ Cleaning

WHAT ARE INDIRECT COSTS?

2 CFR 200.414 INDIRECT COSTS

- Two broad categories: *Facilities & Administration (F&A)*
 - Administration:
 - General Administration / Expenses
 - ✓ Superintendent
 - ✓ Local Board
 - ✓ Business Administrator
 - Accounting
 - Human Resources

ARE THEY DIRECT OR INDIRECT COSTS?

2 CFR 200.413 (b)

- Determining factor in distinguishing a direct cost from an indirect cost is its identification with the award rather than the nature of the goods and services involved
 - costs directly incurred for the performance of the award
 - vs.
 - costs indirectly incurred as a result of the performance of the award

INDIRECT COSTS FOR STATE PROGRAMS

R277-424

- USBE Administrative Rule
- Consistent definitions and standards with federal regulations
- Direct Costs
 - Easily, obviously and conveniently identified with a specific program
- Indirect Costs / Services
 - Cannot be identified with a specific program
 - LEAs must charge indirect costs unless explicitly stated in USBE Administrative Rule that indirect costs are not allowed

Utah Administrative Code

The Utah Administrative Code is the body of all effective administrative rules as compiled and organized by the Division of Administrative Rules (see Subsection [63G-3-102\(5\)](#); see also Sections [63G-3-701](#) and [702](#)).

NOTE: For a list of rules that have been made effective since January 1, 2020, please see the [codification segue](#) page.

NOTE TO RULEFILING AGENCIES: Use the RTF version for submitting rule changes.

Download the [RTF file](#)

R277. Education, Administration.

Rule R277-424. Indirect Costs for State Programs.

As in effect on January 1, 2020

Table of Contents

- [R277-424-1. Authority and Purpose.](#)
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- [Notice of Continuation](#)
- [Authorizing, Implemented, or Interpreted Law](#)

R277-424-1. Authority and Purpose.

(1) This rule is authorized by:

- (a) Article X, Section 3 of the Utah Constitution, which vests general control and supervision over public education in the Board;
- (b) Subsection 53E-3-401(4), which allows the Board to make rules to execute the Board's duties and responsibilities under the Utah Constitution and state law; and
- (c) Subsection 53E-3-501(1)(e), which directs the Board to adopt rules for financial, statistical, and student accounting requirements.

INDIRECT COSTS FOR STATE PROGRAMS

R277-424

- Restricted Indirect Cost Rate - a rate assigned to each LEA annually based on its ratio of restricted indirect costs to direct costs
- Unallowable Costs - expenses directly attributable to governance (program administration)
 - salaries
 - expenditures by the district superintendent, governing board, and election expenses
 - fringe benefits

INDIRECT COSTS FOR STATE PROGRAMS

R277-424

- Unrestricted Indirect Cost Rate - a rate assigned to each LEA annually based on its ratio of unrestricted indirect costs to direct costs
 - Note:
 - All state programs are to use the unrestricted indirect cost rate unless a specific Utah Code or USBE Administrative Rule allows use of the restricted rate or does not allow the use of indirect costs

RESTRICTED VS. UNRESTRICTED INDIRECT COST RATES

34 CFR 76.563-569

- “Supplement Not Supplant” Requirement - federal funding may only be used toward program expenditures after all applicable state funding has been exhausted
 - Federal funding augments state funding, not supersedes state funding
- Restricted Indirect Cost Rate
 - Requires “*Supplement Not Supplant*”
- Unrestricted Indirect Cost Rate
 - Does Not Require “*Supplement Not Supplant*”
 - Example:
 - CNP is a federal program allowed to use an Unrestricted Indirect Cost Rate

RESTRICTED VS. UNRESTRICTED INDIRECT COST RATES

R277-424-3(4)(d)

- “*If an LEA elects to recover indirect costs, the LEA shall use the annual rates negotiated by the Superintendent for all applicable federal and state programs.*”
- An LEA cannot choose between programs which rate to charge
 - Caveat:
The U.S. Department of Education Indirect Cost Group provides further clarification:
 - An LEA *may* choose to use a lower rate than negotiated, but may not use a rate higher than negotiated
 - An LEA *must* apply the lower rate consistently across all programs



Keyword

Search



Students and Families

Community and Partners

Schools and Educators

FINANCIAL OPERATIONS

Reporting

Overview

Reports

Budget and Accounting Handbook

Chart of Accounts

Indirect Costs

2020 Training

Indirect Costs

[Schedule H: Indirect Cost Methodology](#)

[Indirect Costs: Guidance for State Agencies and School Food Authorities](#)

[Local Education Agency \(LEA\) Delegation Agreement](#)

Statewide Approved Indirect Cost Rates

[Indirect Cost Type Schedule Fiscal Year 2021](#)

[Indirect Cost Rates for Fiscal Year 2022: Schedule M](#)

[Indirect Cost Rates for Fiscal Year 2021: Schedule M](#)

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HELPFUL TOOLS

Financial Operations Webpage > [Indirect Cost Link](#)

- *Schedule H: Indirect Cost Methodology*
 - General indirect cost information, overview, calculation methodology and examples
- *Indirect Costs: Guidance for State Agencies and School Food Authorities*
 - Guidance specific to CNP and indirect costs
- *Local Education Agency (LEA) Delegation Agreement*
 - Agreement between USBE and U.S. Department of Education; 5-year agreement

HELPFUL TOOLS

Financial Operations Webpage, *continued* > [Indirect Cost Link](#)

- *Indirect Cost Type Schedule Fiscal Year 2021*
 - Programs, Program Codes, Payment Types, Funding Types, Grant Managers, Program/Revenue Codes, Indirect Cost Types, Purpose of Funds
- *Indirect Cost Rates for Fiscal Year 20xx: Schedule M*
 - Contains all LEAs' negotiated indirect cost rates
 - Two fiscal years are available: current & upcoming

**UTAH STATE BOARD OF EDUCATION
INDIRECT COST TYPE SCHEDULE
FY 2021**

[R277-424-3\(3\)](#)

Program	Program Code	Payment Type	Funding Type	USBE Grant Manager	District Program/ Revenue Code	Indirect Cost Type- Restricted / Unrestricted	Purpose of Funds- Restricted / Unrestricted
BASIC SCHOOL PROGRAM							
Administrative Costs - School Districts	PPE	1/12	State	Jake Houtrouw	VAR/3025	N/A	Unrestricted
CBE Implementation Grant	PKC	Reimb	State	Sydney Young	5902/3100	Unrestricted	Restricted
Class Size Reduction	PPL	1/12	State	Jake Houtrouw	5201/3100	N/A	Restricted
College and Career Awareness	PPKD	1/12	State	Jake Houtrouw	5901/3100	Unrestricted	Restricted
Comprehensive Counseling and Guidance	PPKB	1/12	State	Jake Houtrouw	5903/3100	Unrestricted	Restricted
CTE ADM	PPK	1/12	State	Jake Houtrouw	VAR/3100	Unrestricted	Restricted
CTE Skills Certification Competency	PPKF	1/12	State	Jake Houtrouw	6000/3100	Unrestricted	Restricted
CTE Student Organizations	PPKE	1/12	State	Jake Houtrouw	6000/3100	Unrestricted	Restricted
CTE Summer Ag	PPKA	1/12	State	Jake Houtrouw	6100/3100	Unrestricted	Restricted
Foreign Exchange	PPM	1/12	State	Jake Houtrouw	VAR/3013	N/A	Restricted
Grades 1-12	PPB	1/12	State	Jake Houtrouw	VAR/3010	N/A	Unrestricted
Kindergarten	PPA	1/12	State	Jake Houtrouw	VAR/3005	N/A	Unrestricted
Necessarily Existent Small Schools	PPC	1/12	State	Jake Houtrouw	VAR/3015	N/A	Restricted- NESS
Necessarily Existent Small Schools Out of State	PPCO	1X	State	Jake Houtrouw	VAR/3016	N/A	Restricted- NESS
OEK District	PUDG	1/12	State	Christine Elegante	5695/3100	Unrestricted	Restricted
Professional Staff	PPD	1/12	State	Jake Houtrouw	VAR/3020	N/A	Unrestricted
Special Education - Add-on	PPF	1/12	State	Jake Houtrouw	1205/3100	N/A	Restricted
Special Education - Extended Year	PPI	1/12	State	Jake Houtrouw	1220/3100	N/A	Restricted
Special Education - Extended Yr Special Educators	PPP	1X	State	Jake Houtrouw	1278/3100	N/A	Restricted
Special Education - Impact Aid	PPN	1/12	State	Jake Houtrouw	1225/3100	N/A	Restricted
Special Education - Intensive Services	PPO	1X	State	Jake Houtrouw	1230/3100	N/A	Restricted
Special Education - Preschool	PPG	1/12	State	Jake Houtrouw	1215/3100	N/A	Restricted
Special Education - Self Contained	PPH	1/12	State	Jake Houtrouw	1210/3100	N/A	Restricted

HELPFUL TOOLS

[Electronic Code of Federal Regulations \(eCFR\)](#)

- A currently updated version of the Code of Federal Regulations (CFR). While not the official legal edition of the CFR, it provides quick reference to general and permanent rules and notices published in the Federal Register.
 - Title 2: Grants and Agreements
 - Title 34: Education

HELPFUL TOOLS

Utah Code

- The administrative laws of the State of Utah.
 - Title 53E: Public Education System - State Administration
 - Title 53F: Public Education System - Funding
 - Title 53G: Public Education System - Local Administration
 - Title 63J: Budgeting

HELPFUL TOOLS

USBE Administrative Rules

- Board Rules have the effect of law and govern many areas that impact all levels of the education community
 - R277-100: Definitions for Utah State Board of Education Rules
 - R277-113: Local Education Agency (LEA) Fiscal and Auditing Policies
 - R277-424: Indirect Costs for State Programs
 - R277-712: Competency-based Grant Programs
 - Certain grant programs are also governed by a specific Board Rule

QUESTIONS?

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