

1 **R277. Education, Administration.**

2 **R277-424. Indirect Costs for State Programs.**

3 **R277-424-1. Authority and Purpose.**

4 (1) This rule is authorized by:

5 (a) Article X, Section 3 of the Utah Constitution, which vests general control and
6 supervision over public education in the Board;

7 (b) Subsection [53E-3-401](#)(4), which allows the Board to make rules to execute the
8 Board's duties and responsibilities under the Utah Constitution and state law; and

9 (c) Subsection [53E-3-501](#)(1)(e), which directs the Board to adopt rules for financial,
10 statistical, and student accounting requirements.

11 (2) The purpose of this rule is to establish Board standards for claiming indirect
12 costs for state programs.

13 **R277-424-2. Definitions.**

14 (1) "Direct costs" mean costs that can be easily, obviously, and conveniently
15 identified by the Superintendent with a specific program.

16 (2) "Indirect costs" mean the costs of providing indirect services.

17 (3) "Indirect Services" mean services that cannot be identified with a specific
18 program.

19 (4) "Regional education service agency" or "RESA" the same as that term is defined
20 in Section [53G-4-410](#).

21 ~~[(4)]~~(5) "Restricted indirect cost rate" means:

22 (a) for an LEA, a rate assigned to each LEA annually based on the ratio of restricted
23 indirect costs to direct costs as reported in the annual financial report for the specific LEA;
24 and

25 (b) for a RESA, a rate determined by the RESA, up to the de-minimis rate when
26 allowable.

27 ~~[(5)]~~(6) "Unallowable costs" mean expenditures directly attributable to governance,

28 including:

29 (a) salaries;

30 (b) expenditures of the office of the district superintendent, the governing board,
31 and election expenses; and

32 (c) expenditures for fringe benefits, which are associated with unallowable salary
33 expenditures.

34 [(6)](7) "Unrestricted indirect cost rate" means:

35 (a) for an LEA, a rate assigned to each LEA annually, based on the ratio of
36 unrestricted indirect costs to direct costs as reported in the annual financial report for the
37 specific LEA; and

38 (b) for a RESA, a rate determined by the RESA, up to the de-minimis rate when
39 allowable.

40 **R277-424-3. Standards.**

41 (1)(a) An LEA or RESA may charge indirect costs to state funded programs unless
42 prohibited by Utah Code or Board Rule.

43 (b) An LEA or RESA may charge indirect costs to federally funded programs in
44 accordance with 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles,
45 and Audit Requirements for Federal Awards.

46 (2) The Superintendent may not authorize or pay indirect costs to higher education
47 institutions for state funded contractual work.

48 (3)(a) Prior to the beginning of each fiscal year, the Superintendent shall publish
49 a schedule of the indirect cost rates for state programs.

50 (b) The Superintendent shall develop the schedule from information contained in
51 the annual financial reports and specifically identified items submitted by LEAs.

52 (c) Each program schedule shall include:

53 (i) whether or not the restricted or unrestricted indirect cost rate applies; and

54 (ii) whether or not indirect costs are allowable or applicable.

55 (4)(a) An LEA or RESA may recover indirect costs if funds are available.

56 (b) If a combination of direct and indirect costs exceeds funds available, then the
57 LEA may not recover the total cost of the project or program.

58 (c) Recovery of indirect costs is not optional for state programs.

59 (d) If an LEA or RESA elects to recover indirect costs, the LEA or RESA shall use
60 the annual rates negotiated by the Superintendent for all applicable federal and state
61 programs.

62 (5)(a) An LEA or RESA may only recover indirect costs for state programs to the
63 extent that direct costs were incurred.

64 (b) The Superintendent shall apply the indirect cost rate to the amount expended,
65 not to the total grant, in order to determine the amount for indirect costs.

66 **KEY: education finance**

67 **Date of Enactment or Last Substantive Amendment: November 7, 2017**

68 **Notice of Continuation: September 13, 2017**

69 **Authorizing, and Implemented, or Interpreted Law: Art X Sec 3; [53E-3-501\(1\)\(e\)](#);**
70 **[53E-3-401\(4\)](#)**