

**Maine Department of Education  
Office of School Finance and Fiscal Compliance  
INDIRECT COST PLAN**

Organization: Maine Department of Education

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## PROFILE OF LEAS IN MAINE DEPARTMENT OF EDUCATION

1. Which basis of accounting is used by the LEAs? – **Modified Accrual Basis** and Cash Basis for smaller districts.
2. Number of LEAs in the State – **279 Total (265 School Administrative Unit (165 municipal school districts, 9 Community School Districts, 52 Maine School Administrative Districts, 29 Regional School Units, 10 Charter Schools), 8 Career and Technical Education Regions, 1 Intermediate Education Unit, 4 state operated LEAs (Maine School of Science and Mathematics; Maine School for Marine Science, Technology, Transportation and Engineering; Maine Educational Center for the Deaf and Hard of Hearing; Arthur R. Gould School), and the Education in the Unorganized Territories)**
3. Number of LEAs requesting indirect cost rates – **0**
4. Describe Rates calculated – **Restricted and Unrestricted.**
5. Type of Rate calculated – **Predetermined.**
6. If Predetermined, is the rate discounted? – **Yes: 5 year rolling average with a 5% discount.**
7. Frequency of indirect cost rates calculated – **Annually**
8. Are unused leave payments in the indirect cost pool for calculation of the indirect cost rate? – **Yes.**
9. Are the salaries and related costs of Superintendents, Deputy Superintendents, and Heads of components, adjusted in the Restricted Rate calculation? **Salaries for superintendents, deputy superintendents, and head of components are considered direct costs for restricted rates, and an indirect cost for unrestricted rates.**  
  
Are unused leave payments charged directly to federal awards? – **Unused leave payments are recognized in the period when they are taken. Unused leave payments for employees that are working for a function that is considered a direct cost are treated as such.**
10. Are all building related expenditures in the direct cost base for calculation of the restricted indirect cost rate? – **Yes.**
11. Does the base include only the first \$25,000 of subaward expenditures? – **Yes.**
12. Are any types of retirement incentives included in the proposal or planned in the next fiscal year? – **No.**



## **COST PRINCIPLES**

The Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (commonly called “Uniform Guidance”), sets forth the cost principles and standards for determining the allowable costs of federally funded grants and contracts administered by state and local governments and contains provisions for determining indirect cost rates for grantees and subgrantees of federal grants. The objectives of the Uniform Guidance are to:

1. *Establish uniform standards of allowability.* All federal agencies agree to recognize the central service costs which benefit grant programs as allowable costs of those programs, so long as they are calculated in accordance with the Uniform Guidance.
2. *Establish uniform standards of allocation.* All federal agencies accept the method of allocation agreed to by the “cognizant” federal agency. Costs are allocated to the benefiting departments regardless of the funding source or the ability of that source to pay.
3. *Identify the full cost of federal programs.* By identifying, accumulating, and allocating all allowable direct and indirect costs to the program for which the cost was incurred, the exact cost of all federal programs may be determined.
4. *Ensure federal programs bear their fair share of costs.* Only by identifying and allocating all direct and indirect costs within a central service cost allocation plan in conformity with the Uniform Guidance will localities be reimbursed for the total cost of federal programs.
5. *Simplify intergovernmental relations.* Under the OMB Uniform Grants Guidance concept of the “cognizant” federal agency, one agency with one group of reviewers approves a cost plan. All other agencies accept the plan. Thus, uniform methods of allocation and allowability are applied to all federal grants.
6. *Encourages consistency of treatment.* Grantee organizations are encouraged to process all grant applications through a central office that is also aware of the basis of which an indirect cost rate was developed to minimize inconsistent treatment.

## INTRODUCTION

The Maine Department of Education (MDOE), in collaboration with the United States Department of Education (ED), developed a methodology for the calculation of indirect cost rates of their Local Educational Agencies (LEAs), July 1 - June 30. The State Educational Agency (SEA) has been delegated authority from ED to develop and approve indirect cost rates for LEAs. Specifically, LEA and SEA staffs are in charge of ensuring accounting, regulations, and financial reporting standards are adhered to within their assigned organization. Any material changes to this plan must be approved by the United States Department of Education prior to implementation.

Local education agencies are made up of School Administrative Units, Career and Technical Regions, Magnet Schools, and State Operated Schools are all educational entities established by Maine public law. Their primary mission is the teaching and learning of academic and vocational-technical skills and knowledge.

"School administrative unit" means the state-approved unit of school administration and includes a municipal school unit, school administrative district, community school district, regional school unit or any other municipal or quasi-municipal corporation responsible for operating or constructing public schools, except that it does not include a career and technical education region. Beginning July 1, 2009, "school administrative unit" means the state-approved unit of school administration and includes only the following:

1. A municipal school unit;
  2. A regional school unit formed pursuant to chapter 103-A;
  3. A school administrative district that does not provide public education for the entire span of kindergarten to grade 12 that has not reorganized as a regional school unit pursuant to chapter 103-A;
  4. A community school district that has not reorganized as a regional school unit pursuant to chapter 103-A;
  5. A municipal or quasi-municipal district responsible for operating public schools that has not reorganized as a regional school unit pursuant to chapter 103-A;
  6. A municipal school unit, school administrative district, community school district, regional school unit or any other quasi-municipal district responsible for operating public schools that forms a part of an alternative organizational structure approved by the commissioner; and
  7. A public charter school authorized under chapter 112 by an entity other than a local school board.
- "Municipal school unit" means a state-approved unit of school administration composed of a single municipality.
  - "School administrative district" means a state-approved unit of school administration, composed of one or more municipalities which must provide public education to all public school students in the district.

- "Community school district" means a state-approved unit of school administration composed of more than one municipality or school administrative district which may provide public education for any combination of kindergarten through grade 12.
- "Regional school unit" means the state-approved unit of school administration as established pursuant to chapter 103-A.
- A public charter school authorized under chapter 112 by an entity other than a local school board.

Career and Technical Education Regions means a quasi-municipal corporation established by the Legislature to provide career and technical education to secondary students and middle school level students that is comprised of all the school administrative units within the geographical boundaries set forth for each career and technical education region in section 8451. A region is governed by a cooperative board formed and operating in accordance with this chapter.

"Child Development Services System" means the state intermediate educational unit under section 7209, subsection 3, and any regional sites it chooses to establish and maintain, to ensure the provision of child find activities, early intervention services and free, appropriate public education services to eligible children.

The Maine Educational Center for the Deaf and Hard of Hearing (MECDHH) and the Governor Baxter School for the Deaf is established as a public school pursuant to this chapter for the purpose of educating deaf and hard-of-hearing students. The school is a body politic and corporate and is an instrumentality and agency of the State.

The Maine School of Science and Mathematics (MSSM) is established as a public magnet school pursuant to this chapter for the purpose of providing certain high-achieving high school students with a challenging educational experience. The school is a body politic and corporate and is an instrumentality and agency of the State.

The Maine School for Marine Science, Technology, Transportation and Engineering (MSMSTTE) is established as a public magnet school pursuant to this chapter for the purpose of providing certain high-achieving high school students with a challenging educational experience focused on marine-related science, technology, engineering and mathematics. The school is a body politic and corporate and is an instrumentality and agency of the State.

The Arthur R. Gould School, located at the Long Creek Youth Development Center, is devoted to the education and instruction of persons residing at the facility.

"Unorganized territory" means territory not part of a municipality.

## **INDIRECT COST RATE INFORMATION**

An indirect cost rate calculation is a means of determining, in a reasonable manner, the percentage of allowable facilities and administrative costs that benefit each federal program or activity. Indirect costs are defined as costs that are incurred for the benefit of more than one cost objective but are not readily assignable to any program or grant. Indirect costs serve common or joint purposes, and to identify the specific program or grant served would take an effort disproportionate to the results achieved. Typically, administrative costs such as salaries and expenses for auditing, budgeting, payroll, personnel, purchasing and employee relations are examples of costs which are considered indirect. Maine will calculate restricted indirect cost rates using a predetermined rate.

Applications for grants usually involve a request for reimbursement of both direct and indirect costs. OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards contains provisions for determining indirect cost rates for grantees and subgrantees of Federal grants. LEA's are not required to accept an indirect cost proposal.

However, to recover any indirect costs (2 CFR Part 200.414) a LEA must have an approved indirect cost rate.

Three major limitations affect how much indirect cost may be recovered:

1. The rate negotiated with Maine Department of Education is the maximum allowable indirect cost for any federal program in which the school district participates. Federal law or grant conditions may further limit the amount of indirect costs or the indirect cost rate. For example, if the LEA has a restricted rate of 5 percent and the law allows only a 3 percent rate of recovery for that program, then the LEA can recover only indirect costs equal to 3 percent of the direct costs. Some grants may prohibit any recovery of indirect costs. (34 CFR 75.563)
2. Recovery of indirect costs on grants is subject to the availability of funds (§ 75.564). Most restricted grants are allocated to the State as a block grant in which each LEA is entitled to a maximum grant amount. The total direct costs plus indirect costs cannot exceed the maximum entitlement.
3. Indirect costs are recovered only to the extent of direct costs incurred. The indirect cost rate is applied to the direct cost amount expended less capital outlay and subgrants, not to the grant award.

## **RATE CALCULATION PROCESS**

By August 30, following the fiscal year ended June 30, SAUs along with CTE Regions, MSSM, MSMSTTE, and MECDHH electronically upload their annual financial information data to the Maine Educational Financial System (MEFS). By November 1, the SAUs and other agencies' auditor conducts an analysis of data submitted as compared to the district's audited financial statements and provides an "Initial report to commissioner". By November 30, the SAUs and other agencies electronically upload an audited version of their annual financial information data. Additional reasonability checks are performed examining changes of various revenue and expenditure categories from year to year, budget to actual, and other assorted assessments are made.

All financial data is pulled December 1<sup>st</sup> by SEA staff and reviewed during the course of calculating tuition rates, as used in the state's funding formula, and various federal reporting requirements. Discrepancies found between the upload to MEFS and the audited financial statements require a district to revise the upload, if a difference is found during the analysis/correction window (December 1<sup>st</sup>-15<sup>th</sup>). If an instance occurs where MEFS is accurate, and the audit is not, or both have inaccuracies, the financial statements must be restated by the auditor (if the difference is material). Regardless of materiality, MEFS must be corrected if an issue identified and the agency auditor must authorize the change.

The Department uses the data submitted in MEFS as a base for rate calculation. Once the base of all expenditures is determined, costs will be classified as excluded, direct, unallowable, or indirect (restricted or unrestricted).

A calculated rate for the current year and the approved rates for the previous four years shall determine the current preliminary calculation. A 5% discount will be applied to the rate.

Preliminary rates will be issued using classifications between indirect and direct costs. The Department shall sample, based on federal program risk assessments, LEAs to perform comparisons of MEFS expenditure data to preliminary data to ensure all expenditures have been included in the correct classification. The districts will be responsible for reviewing the information provided and submitting adjustments, if necessary. Any district that uses an indirect cost rate to bill for administrative costs should review the calculation of those rates to ensure accuracy.

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The preliminary rate must be reviewed, and adjusted when necessary, by the business manager. The rate must then be certified by the superintendent and submitted to MDOE on or before June 1. You will not be notified directly of your final indirect cost rates by the Department. The preliminary rate published on the MDOE website will be replaced with final rates. A notice will be provided through the MDOE updates when the final rates have been published.

Please note that there will be no adjustments made for misclassification of costs due to failure to properly code expenses. The source of information utilized to determine indirect cost rates are the district's MEFS upload. Therefore, it is essential that LEAs classify expenditures uniformly

and consistently per the Maine School Financial Accounting Handbook. Expenditures that are identified as indirect costs shall not also be included as direct costs. All expenditures detailed in the MEFS upload must have been incurred and records supporting the costs must be maintained by the LEA. MEFS uploads must be done according to the account structure from the Maine School Financial Accounting Handbook.

## **APPROVAL PROCESS**

An indirect cost rate is issued by the Maine Department of Education for a specific fiscal year. The rate is valid from July 1 to June 30 of the applicable fiscal year. Indirect costs are recovered only to the extent of direct costs incurred. The indirect cost rate is applied to the direct cost amount expended, not to the grant award. To recover indirect costs, the LEA applies the indirect cost rate in effect for a given fiscal year or the term of the grant award to the direct expenditures less capital outlay during that fiscal year or the term of the grant award.

An indirect cost rate approved during the middle of a grant period may only be applied to grant expenditures made after the approval date. The rate may not be applied retroactively.

The sources of information used to develop an indirect cost rate are the LEA's official annual upload to MEFS and the detail accounts that make up that report. It is essential LEAs classify expenditures uniformly and consistently in accordance with the Financial Accounting for Local School Systems in Maine. The Maine Department of Education will prepare a "preliminary indirect cost rate" for LEA requesting an indirect cost rate and may be requested for certification.

Once preliminary indirect cost rates are provided to the LEA, the LEA shall provide information for subawards and subcontracts so to calculate an adjustment to the indirect cost rate prior to final certification.

Predetermined rates that are certified and the certifications will be published to:

<https://www.maine.gov/doe/funding/fiscalreview/compliance/indirectcostrate>

Restricted indirect cost rates are limited to 5%. Unrestricted indirect cost rates are limited to 15%. All preliminary calculated rates outside of the statistical norm are subject to review to ensure the proper classification of costs.

## **CLASSIFICATION OF COSTS**

### **Modified Total Direct Costs (2 CFR 200.1)**

Modified Total Direct Costs (MTDC) means all direct salaries and wages, applicable fringe benefits, materials, supplies, services, travel, and subawards and subcontracts up to the first \$25,000 of each subaward or subcontract (regardless of the period of performance of the subawards and subcontracts under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward and subcontract in excess of \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.

Certain items of costs are classified as extraordinary or distorting expenditures and are excluded from the computation of the indirect cost rate. Excluded costs include capital outlay, debt service, judgments against the school district, transfers to other funds, and food supply costs within child nutrition. Indirect cost recoveries are also categorized as excluded costs.

### **Subawards/Subcontracts in Excess of \$25,000 (2 CFR 200.1)**

The portion of subawards or subcontracts in excess of \$25,000 is excluded from Modified Total Direct Costs. The indirect cost rate may only be applied to the first \$25,000 of a subaward or subcontract.

The federal government has determined that costs related to some contracted services are distorting in nature and must be excluded, in part, from the calculation of indirect cost rates. The underlying rationale is that if a district chooses to contract with outside vendors to provide services within the district, those contracts tend to reduce the administrative effort required by the district to complete that function. As an example, if a district chooses to contract with an outside vendor to provide transportation services, the district no longer handles payroll for bus drivers or the payment of invoices to a fuel supplier. Therefore, it could be considered distorting for the entire cost of providing transportation to be included in the calculation of an indirect cost rate for the district.

Simply stated, the indirect rate is calculated by dividing indirect costs by the direct cost base. In order to address these distorting costs, the district is to request an exclusion for the amount of any contracted service in excess of \$25,000 that impacts the direct cost base. This rule is not intended to reduce rates; therefore, it does not apply to functions that are included in the numerator, or indirect side of the equation.

To be consistent, indirect rates should only be applied by the district to the first \$25,000 of any contract or subgrant related to a federal grant. This general principle applies to all costs that are excluded from the indirect cost rate calculation. If the cost is excluded from the rate calculation, the district should not apply an indirect rate to that cost.

Please be aware that a similar principle applies to flow-through grants. Any funds flowing through a district to another educational entity should be excluded from the rate calculation. Indirect rates should not be applied to any of these excluded costs.

### **Identification of Subawards and Contractor Determination (2CFR 200.1)**

A subaward is for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship with the subrecipient. Characteristics which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity:

- 1) Determines who is eligible to receive what Federal assistance;
- 2) Has its performance measured in relation to whether objectives of a Federal program were met;
- 3) Has responsibility for programmatic decision making;
- 4) Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
- 5) In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

A contract is for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship with the contractor. Characteristics indicative of a procurement relationship between the non-Federal entity and a contractor are when the non-Federal entity receiving the Federal funds:

- 1) Provides the goods and services within normal business operations;
- 2) Provides similar goods or services to many different purchasers;
- 3) Normally operates in a competitive environment;
- 4) Provides goods or services that are ancillary to the operation of the Federal program; and
- 5) Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.

### **Direct Costs (2 CFR 200.413)**

Direct costs are those that can be identified specifically with a particular cost objective. These costs may be charged directly to grants, contracts, or to other programs against which costs are finally assigned. Typical direct costs chargeable to a grant include, but are not limited to:

- a) Compensation of employees for the time devoted and identified specifically to the performance of those programs;
- b) Cost of materials acquired, consumed, or expended specifically for the purpose of those programs;
- c) Travel expenses incurred specifically to carry out the program; etc.

### **Unused/Terminal Leave Payments (2 CFR 200.431)**

The U.S. Department of Education Cost Allocation Guide for State and Local Governments, September 2017 states, "Payments to separating employees for termination benefits and/or unused leave are treated as indirect costs when computing the restricted and unrestricted indirect cost rate with one exception. When computing the restricted indirect cost rate, unused leave costs to employees who are indirect for the unrestricted rate, but direct for the restricted rate (i.e. superintendent and their office), are considered direct cost payments for rate calculation purposes only. Payments to separating employees for unused leave are NOT charged as direct costs to any federal awards. Ensure that terminal leave payouts related to restricted personnel are included in the base." Please reference 34 CFR 76.563-76.569.

Districts will accrue the liability for unused leave costs in the same manner it charges the employees' salary costs (i.e., directly to the function(s) in which the employees are working). This allows for appropriate allocation across any and all functions in which the employee has worked prior to termination. Unused/terminal leave payments should be classified using the same object codes as their original wages.

### **Post Retirement Health Benefits 2 CFR 200.431 (h)**

All Post Retirement Health Benefits ("PRHB") will be treated as indirect costs for both the Restricted and Unrestricted rate regardless of where the employees' salary is recorded with one exception. For purposes of calculating the restricted rate, PRHB costs associated with Superintendent, Chief Executive Officer (CEO) of components (as defined by EDGAR 76.566) and their immediate offices will be treated as direct. Costs for Post Retirement Health Benefits are paid for by the state and administered by the Maine Public Employees Retirement System.

The Maine Public Employees Retirement System (MainePERS) is an independent public agency of the State of Maine that traces its history to 1942. By the authority granted to it by the Maine Legislature, the System administers seven defined benefit retirement programs that cover State employees, the State's public school teachers, judges, legislators, and employees of the 307 municipalities and other public entities, called "participating local districts" (PLDs) that have chosen to provide retirement plans to their employees through MainePERS. In addition, the System administers a Group Life Insurance Program that provides or makes available life insurance benefits for active and retired State employees and teachers, judges, and legislators as well as employees of those PLDs who have chosen to offer the Group Life Insurance Program. The System also administers defined contribution plans for eligible employers who choose to participate in the plans.

### **Indirect Costs (2 CFR 200.414)**

Indirect costs are those not readily identifiable with the activities of the grant but incurred for the joint benefit of those activities and other activities of the organization. In accordance with Uniform Grants Guidance, 2 CFR 200, indirect costs are:

- a) Incurred for a common or joint purpose benefiting more than one cost objective;  
and

- b) Not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved.

A cost may not be allocated to a program as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to a program as a direct cost. Typical examples of indirect costs may include: procurement, payroll, personnel functions, maintenance and operations of space, data processing, accounting, auditing, budgeting, etc.

### **Allowability of Costs (2 CFR 200.403)**

2 CFR 200.420 – 400.475 are the cost principles that classify costs as allowable or unallowable. However, allowability is not limited to the cost principles. In order for a cost to be allowable it must be allowable (2 CFR 200.403), reasonable (2 CFR 200.404), and allocable (2 CFR 200.405). Unallowable costs cannot be charged to federal awards. For rate computation purposes, unallowable costs may be included in the allocation base if such costs benefit from allowable indirect activities or excluded from the calculation. Examples of unallowable costs are bad debts, contingencies, entertainment, fines/penalties, general governance, and contributions/donations.

## **RATE TYPES**

### **Restricted Rates (34 CFR 76.563 through 76.569)**

Generally, grants awarded by the U.S. Department of Education allow the use of the restricted indirect cost rate. As per the Education Department General and Administrative Regulations (EDGAR), 34 CFR 76.563 through 76.569 “apply to agencies of State and local governments that are grantees under programs with a statutory requirement prohibiting the use of Federal funds to supplant non-Federal funds.” This means that the funds awarded are for support *in addition to* state and local funding. Such amounts are intended to supplement, but in no way replace local funds. Most of the federal grants that the LEA obtains through The Department have supplement-not-supplant requirements and a restricted indirect cost rate must be used on these programs.

34 CFR 76.564 defines an indirect cost rate for a grant covered by §76.563 or 34 CFR 75.563 as being determined by the following formula:

$$\text{Restricted indirect cost rate} = \frac{\text{General management costs} + \text{Fixed costs}}{\text{Other expenditures}}$$

The numerator of this restricted ratio includes those costs that benefit all programs but can't be specifically or readily identified with any program; however, additional restrictions are placed on the costs. Costs associated with the operation and maintenance of the organization cannot be included in the numerator, nor can the costs of the chief executive officer or the chief executive officer's component units (usually defined as assistant superintendents). These costs, instead, are included in the denominator of the ratio.

In order to meet the cost principles in 2 CFR 200.404, that only reasonable costs are included, any district with a preliminary rate that exceeds two standard deviations above the median preliminary rate must provide additional information to substantiate the costs within the numerator.

The restricted indirect cost rate pool (numerator) includes only expenditures of **general management costs** and **fixed charges** as defined below:

### ***General Management Costs***

As stated in EDGAR 76.565, “general management costs mean the costs of activities that are for the direction and control of the grantee’s affairs that are organization-wide. An activity is not organization-wide if it is limited to one activity, one component of the grantee, one subject, one phase of operations, or other single responsibility. General management costs include the costs of performing a service function, such as accounting, payroll preparation, or personnel management, that is normally at the grantee’s level even if the function is physically located elsewhere for convenience or better management.”

Generally, salaries and expenses for auditing, budgeting, payroll, personnel, purchasing, and employee relations are examples of services which typically benefit several activities and programs for which costs may be attributed by means of an indirect cost proposal. In theory, all such costs can be charged directly. However, practical limitation and consideration of efficiency in accounting preclude such an approach and therefore these costs are considered indirect.

Those activities that are limited to one school, subject, or phase of operation, are not general management costs such as the salaries and expenditures related to the direction and supervision of such functions as instruction, guidance, transportation, community services, and student services. The costs of these functions are considered direct costs.

When calculating a restricted indirect cost rate, the term “General Management Costs” does not include expenditures for:

- 1. The governing body (members of the board of education) of the grantee;**

The superintendent’s and board of education’s salary, benefits, communications/telephone charges and other expenditures related directly to the operation of the Superintendent’s and board of education offices, specifically, are not included in indirect costs and are considered, for rate computation purposes, to be disallowed costs in the calculation of the restricted indirect cost rate. These costs will be considered direct for calculation of the restricted rate.

**2. Compensation of the chief executive officer (Superintendent of a school district) of the grantee and heads of component offices; and**

Head of Component as defined in the U.S. Department of Education Cost Allocation Guide for State and Local Governments, September 2019, are treated as a direct cost. The Cost Allocation Guide defines component costs as "...organizational units for both indirect and direct functions existing one level below the Chief Executive Officer unit." Also, "The grantee's organizational structure is considered in determining adjustments for components." LEAs may capture the head of component units in function code 232x Executive Administration, 25xx Support Services Business, 283x Staff/Personnel Services, or 284x Support Services Technology.

LEAs whose membership is 2,999 students or less (per final pupil membership figure for preceding year) may decide to capture the head in the function that currently shows the job duties of the specific office. If the head of the component is performing more management duties than performing day-to-day operations, the head should be pulled out of the pool and charged to the base. As an example, the salaries, benefits, travel, and other associated costs of the chief financial officer, human resources director, and technology director, in proportion to the percentage time spent supervising their respective departments, will be moved to direct costs when calculating the restricted rate for those districts with membership greater than 2,999.

Charges for individuals whose time is divided between district-wide management responsibilities and specific program or administrative activities will be based on personnel activity reports prepared at least monthly in compliance with 2 CFR 200.430 Compensation (C)(4).

**3. The operation of the immediate offices of these officers.**

An individual principal's salary, benefits and expenditures related to the operation of the principal's immediate offices are also not considered indirect costs. These costs are unallowable and are direct costs for the restricted rate computation purposes.

***Chief Executive Officer, Component Cost, and Occupancy and Space Determination***

The Cost Allocation Guide (pages 25-27) offers additional guidance on determination of the Chief Executive Officer and component costs as follows:

*Who are the Chief Executive Officers?*

The Chief Executive Officer exercises overall responsibility for the operation and management of the organization. The Chief Executive Officer's immediate office includes any Deputies or similar office, along with the immediate support staff. It is important to emphasize that the Chief Executive Officer of the grantee is not the

Governor or member of an elected or appointed Board. Expenses for these positions are already unallowable as general government expenses.

*What are Component Costs?*

Generally, components are organizational units for both indirect and direct functions existing one level below the Chief Executive Officer unit. Depending on the organization, there may be circumstances where component costs would properly be accounted for in the indirect cost pool. The grantee's organizational structure is considered in determining adjustments for components.

*Space type costs are accepted in a usual indirect cost environment. How are they accounted for in the restricted indirect cost formula?*

Occupancy and space maintenance costs as described at 34 CFR 76.568 are included in the direct cost base (denominator) for the restricted indirect cost rate determination. However, if the state and local government can identify the portion of space that supports allowable indirect cost personnel, then the costs may be included with allowable general management costs.

For the restricted rate ratio, the numerator includes those costs that benefit all programs but cannot be specifically or readily identified with any program; however, additional restrictions are placed on the costs. While the costs associated with the operation and maintenance of the organization cannot be included in the numerator of the restricted ratio, nor can the costs of the chief executive officer or the chief executive officer's component units (usually defined as associate superintendents). These costs, instead, are included in the denominator of the ratio.

***Fixed Costs***

Fixed costs classified as indirect costs are limited to those amounts which are associated with general management costs. The fixed charges can be viewed as appended to those administrative functions, and the classification rules are the same as those applied to salaries.

These expenditures are exclusively identified in §76.566 as:

- a) Employee retirement
- b) Social Security
- c) Medicare
- d) Premium expenditures for:
  - 1. Employee insurance
  - 2. Liability insurance
- e) Unemployment and workers' compensation, and
- f) All similar costs normally considered being employee fringe benefits.

Note that per 2 CFR 200.431, payments to separating employees for termination benefits and/or unused leave are treated as indirect costs when computing the Restricted and Unrestricted

indirect cost rate with one exception. When computing the restricted indirect cost rate, unused leave costs to employees who are indirect for the Unrestricted Rate, but direct for the Restricted Rate (i.e. superintendent and their office), are considered direct cost payments for rate calculation purposes only. Payments to separating employees for unused leave are NOT charged as direct costs to any federal awards. All Post-Retirement Health Benefits (“PRHB”) will be treated as indirect costs for both the Restricted and Unrestricted rate regardless of where the employees’ salary is recorded with one exception. For purposes of calculating the restricted rate, PRHB costs associated with Superintendent, Chief Executive Officer (CEO) of components (as defined by EDGAR 76.565(d)(2)) and their immediate offices will be treated as direct. PRHB costs associated with the Chief Financial Officer, Human Resources Director, and Technology Director for applicable large districts will be treated as direct costs.

### **Unrestricted Rates (34 CFR 75.560)**

Unrestricted rates apply to grants not subject to the supplement but not supplant legislative restriction.

1. **Indirect Costs** - Expenditure for the Office of the Superintendent in addition to operations and maintenance of plant are classified as an indirect cost when calculating an unrestricted rate. All other costs are classified the same as the restricted rate calculations.
2. **Direct Costs, Unallowable Costs, and Excluded Costs** are also classified the same as the restricted rate calculations.

**Classification of Costs – Restricted Rate**

<b>Function</b>	<b>Salaries 1000-1999</b>	<b>Benefits 2000-2999</b>	<b>Purchased Services 3000-5999</b>	<b>Supplies 6000-6999 (not 6300- 6399)</b>	<b>Food Costs (6300- 6399)</b>	<b>Property (7000- 7999)</b>	<b>Miscellane ous (8000- 8999)</b>	<b>Other Uses (9000- 9999)</b>
1000 – Instruction	Direct	Direct	Direct	Direct	Excluded	Excluded	Direct	Excluded
2100 – Student Services	Direct	Direct	Direct	Direct	Excluded	Excluded	Direct	Excluded
2200 – Staff Services	Direct	Direct	Direct	Direct	Excluded	Excluded	Direct	Excluded
2310 – Board Services	Direct	Direct	Direct	Direct	Excluded	Excluded	Excluded	Excluded
*2320 – Executive Administration	Direct	Direct	Direct	Direct	Excluded	Excluded	Direct	Excluded
2330 – Special Area Services	Direct	Direct	Direct	Direct	Excluded	Excluded	Direct	Excluded
2400 – Building Admin Services	Direct	Direct	Direct	Direct	Excluded	Excluded	Direct	Excluded
*2500-2599– Business Services	*Indirect	*Indirect	*Indirect	*Indirect	Excluded	Excluded	*Indirect	Excluded
*2600-2679 – Operations & Maintenance	Direct	Direct	Direct	Direct	Excluded	Excluded	Direct	Excluded
2680-2699 – Capital Renewal & Enhancement	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded
2700 – Student Transportation	Direct	Direct	Direct	Direct	Excluded	Excluded	Direct	Excluded
3100 – Food Service	Direct	Direct	Direct	Direct	Excluded	Excluded	Direct	Excluded
3200 – Enterprise Operations	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded
3300-3400 – Community Services	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded
4000 – Facility Acquisition	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded
5000-6999 – Debt Service and Other Uses	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded

**\*These costs are adjusted due to the Statutory requirement for Restricted programs.**

**Classification of Costs – UnRestricted Rate**

<b>Function</b>	<b>Salaries 1000-1999</b>	<b>Benefits 2000-2999</b>	<b>Purchased Services 3000-5999</b>	<b>Supplies 6000-6999 (not 6300- 6399)</b>	<b>Food Costs (6300- 6399)</b>	<b>Property (7000- 7999)</b>	<b>Miscellane ous (8000- 8999)</b>	<b>Other Uses (9000- 9999)</b>
1000 – Instruction	Direct	Direct	Direct	Direct	Excluded	Excluded	Direct	Excluded
2100 – Student Services	Direct	Direct	Direct	Direct	Excluded	Excluded	Direct	Excluded
2200 – Staff Services	Direct	Direct	Direct	Direct	Excluded	Excluded	Direct	Excluded
2310 – Board Services	Direct	Direct	Direct	Direct	Excluded	Excluded	Excluded	Excluded
*2320 – Executive Administration	*Indirect	*Indirect	*Indirect	*Indirect	Excluded	Excluded	*Indirect	Excluded
2330 – Special Area Services	Direct	Direct	Direct	Direct	Excluded	Excluded	Direct	Excluded
2400 – Building Admin Services	Direct	Direct	Direct	Direct	Excluded	Excluded	Direct	Excluded
*2500-2599– Business Services	*Indirect	*Indirect	*Indirect	*Indirect	Excluded	Excluded	*Indirect	Excluded
*2600-2679 – Operations & Maintenance	*Indirect	*Indirect	*Indirect	*Indirect	Excluded	Excluded	*Indirect	Excluded
2680-2699 – Capital Renewal & Enhancement	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded
2700 – Student Transportation	Direct	Direct	Direct	Direct	Excluded	Excluded	Direct	Excluded
3100 – Food Service	Direct	Direct	Direct	Direct	Excluded	Excluded	Direct	Excluded
3200 – Enterprise Operations	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded
3300-3400 – Community Services	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded
4000 – Facility Acquisition	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded
5000-6999 – Debt Service and Other Uses	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded	Excluded

**\*These costs are adjusted due to the Statutory requirement for Restricted programs.**

## **Function Code Descriptions**

**Function codes 1xxx (Instructional):** All costs, other than the exclusions, must be considered direct. No adjustments are allowed.

**Function code 1000 (Instruction):** Regular Instruction. Instruction includes the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location such as a home or hospital, and in other learning situations. Instruction may also be provided through some other approved medium such as television, radio, telephone, and correspondence that is delivered inside or outside the classroom or in other teacher-student settings. Included here are the activities of aides or classroom assistants of any type who assist in the instructional process.

**Function code 200 (Support Services):** Supporting Services - Supporting Services are those services which provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction and to a lesser degree, community services. Supporting Services exist as adjuncts for the fulfillment of the objectives of instruction.

**Function codes 21xx (Pupil Support):** All costs, other than the exclusions, must be considered direct. No adjustments are allowed.

**Function code 2110 Student Attendance and Social Work Services -** Activities designed to improve student attendance at school and that attempt to prevent or solve student problems involving the home, the school, and the community. Used with program 2800 to indicate Social Work for Special Education students; refer to the Special Education model chart of accounts.

**Function code 2120 Student Guidance Services -** Activities involving counseling (to include substance abuse) with non-IEP identified students and parents, consulting with other staff members on learning problems, evaluating the abilities of students, assisting students as they make their own educational and career plans and choices, assisting students in personal and social development, providing referral assistance, and working with other staff members in planning and conducting guidance programs for students.

**Function code 2130 Student Health Services -** Physical and mental health services which are not direct instruction. Included are activities that provide students with appropriate medical, dental, and nursing services.

**Function code 2140 Student Psychological Services -** Activities concerned with administering psychological tests and interpreting the results, gathering and interpreting information about student behavior, working with other staff members in planning school programs to meet the special needs of students as indicated by psychological tests and behavioral evaluation, and planning and managing a program of psychological services, including psychological counseling for students, staff, and parents.

**Function code 2150 Speech Pathology and Audiology -** Activities that identify, assess, and treat children with speech, hearing and language impairments.

**Function code 2160 Student Occupational Therapy** - Activities that assess, diagnose, or treat students for conditions requiring the services of an occupational therapist.

**Function code 2170 Physical Therapy** - Activities that assess, diagnose, or treat students for conditions requiring the services of a physical therapist.

**Function code 2180 Visually Impaired/Vision Services** - Consist of those activities that have as their purpose the identification, assessment, and treatment of children with sight impairments.

**Function code 2190 Other Student Support Services** - Other support services to students not classified elsewhere in the 2100 series. Examples of costs to be included here: ADA/Section 504, floating tutors, attendance officers, lunch and playground monitors, truant officers, non-security resource officers.

**Function codes 22xx (Instructional Support):** All costs, other than the exclusions, must be considered direct. No adjustments are allowed.

**Function code 2210 – Improvement of Instruction.** Activities primarily for assisting instructional staff in planning, developing, and evaluating the process of providing learning experiences for students. These activities include curriculum development, techniques of instruction, child development and staff training.

**Function code 2212 – Instruction and Curriculum Development.** Activities that aid teachers in developing the curriculum, preparing and using special curriculum materials, and understanding and appreciating the various techniques that stimulate and motivate students.

**Function code 2213 – Instructional Staff Training.** Activities associated with the professional development and training of instructional personnel. These include activities such as in-service training (including mentor teachers), workshops, conferences, demonstrations, courses for college credit (tuition reimbursement) and other activities related to the ongoing growth and development of instructional personnel. The incremental costs associated with providing substitute teachers in the classroom (while regular teachers attend training) should also be included in this code. All costs should be charged to this code regardless of whether training services are provided internally or purchased from external vendors.

**Function code 2219 – Other Improvement of Instruction Services.** Activities for improving instruction other than those classified elsewhere in the 2210 series.

**Function code 2220 – Library and Educational Media Services.** Activities concerned with directing, managing, and supervising educational media services as well as such activities as selecting, acquiring, preparing, cataloging, and circulating books and other printed materials; planning for the use of the library by students, teachers, and other members of the instructional staff; and guiding individuals in their use of library books, reference guides and materials, catalog materials, special collections, and other materials, whether maintained separately or as a part of an instructional materials center. These activities include developing and acquiring library materials and operating library facilities. Textbooks are not charged to this function but to the instruction function.

**Function code 2221 – Library Services.** Activities associated with selecting, acquiring, preparing, cataloging, and circulating books and other printed materials; planning the use of the

library by students, teachers, and other members of the instructional staff; and guiding individuals in their use of library books and materials.

**Function code 2222 – Media Services.** Activities such as selecting, preparing, caring for, and making available to members of the instructional staff the equipment, films, filmstrips, transparencies, tapes, TV programs, and other similar materials.

**Function code 2223 – Educational Television Services.** Activities concerned with planning, programming, writing, and presenting of educational programs or segments of programs by way of closed circuit or broadcast television.

**Function code 2230 – Instruction-Related Technology.** This functional category encompasses all technology activities and services for the purpose of supporting instruction. These activities include expenditures for internal technology support as well as support provided by external vendors using operating funds. These activities include costs associated with the administration and supervision of technology personnel, systems planning and analysis, systems application and development, systems operations, network support services, hardware maintenance and support services, and other technology-related costs that relate to the support of computer learning labs, media center computer labs, instructional technology centers, instructional networks, and similar operations should be accounted for in this code. Use of this function is required for tracking EPS targeted funds component; to be used with General Fund (1000) only. Expenditures of other funds for Instructional Technology will not be considered as fulfilling the EPS requirement for spending in this area.

**Function code 2231 – Instruction-Related Technology – Student Learning Centers.** Activities concerned with supporting and maintaining labs and centers (outside the classroom) that are established to support the instructional environment. These labs and centers may be located in the library or in other locations but are not primarily dedicated to student-teacher learning. Labs or learning centers that are primarily dedicated to instruction should be coded to Instruction.

**Function code 2232 – Instruction-Related Technology - Technology Service Supervision and Administration.** Activities concerned with directing, managing and supervising data-processing services.

**Function code 2233 – Instruction-Related Technology – Systems Analysis and Planning.** Activities concerned with seeking and evaluating alternatives for the development of data processing procedures or the application of electronic data processing equipment to achieve objectives within the school administrative unit.

**Function code 2234 – Instruction-Related Technology – Systems Application Development.** Activities concerned with the preparation of operations to be performed, either manually or electronically, in solving problems or processing data.

**Function code 2235 – Instruction-Related Technology – Systems Operations.** Activities concerned with scheduling, maintaining, and producing data.

**Function code 2236 – Instruction-Related Technology – Network Support.** Services that support the networks used for instruction-related activities.

**Function code 2237 – Instruction-Related Technology – Hardware Maintenance and Support.**

**Function code 2238 – Instruction-Related Technology.** Professional Development for Instruction-Focused Technology Personnel. Costs that are incurred as a result of acquiring knowledge and skills to support instructional technologies. Technology training for instructional staff should be reported as part of Instructional Staff Training.

**Function code 2240 – Academic Student Assessment.** This function is inclusive of those services rendered for the academic assessment of the student. Use of this function is required for tracking EPS targeted funds component; to be used with General Fund (100) only. Expenditures of other funds for Academic Student Assessment will not be considered as fulfilling the EPS requirement for spending in this area.

**Function code 2290 – Other Support Services – Instructional Staff.** Services supporting the instructional staff not classified elsewhere in the 2200 series. Examples of costs to be included here: floating ed techs, staff wellness committees, staff vehicles, sub callers, volunteer coordinators, instructional photocopiers.

**Function code 2300 Support Services-General Administration.** Activities concerned with establishing and administering policy in connection with operating the school administrative unit.

**Function code 2310 – Board of Education.** Activities of the elected body that has been created according to state law and vested with responsibilities for educational activities in a given school administrative unit. Examples of services to be included here are board secretary and clerk service.

**Function code 2311 – Supervision of Board of Education Services.** Activities concerned with directing and managing the general operation of the Board of Education. These include the activities of the members of the Board of Education, but do not include any special activities defined in the other areas of responsibility described in the other 2310 series of function codes.

**Function code 2312 – Board of Education –Board Secretary/Clerk Services.** The activities required to perform the duties of the Secretary or Clerk of the Board of Education.

**Function code 2313 – Board of Education – Board Treasurer Services.** The activities required to perform the duties of the Treasurer of the Board of Education.

**Function code 2314 – Board of Education – Election Services.** Services rendered in connection with any school system election, including elections of officers, budget referendum and bond referendum elections.

**Function code 2315 – Board of Education – Tax Assessment and Collection Services.** Services rendered in connection with tax assessment and collection.

**Function code 2316 – Board of Education – Staff Relations and Negotiations.** Activities concerned with staff relations system wide and the responsibilities for contractual negotiations with both instructional and non-instructional personnel.

**Function code 2317 – Board of Education – Audit Services.** Activities and costs associated with the annual financial audit and related services provided by the audit firm.

**Function code 2318 – Board of Education – Legal Services.** Activities associated with legal services rendered to the school administrative unit.

**Function code 2319 – Board of Education – Other Board of Education Services.** Board of Education services that cannot be classified under other function codes in the 2310 series.

**Function code 2320 – Executive Administration.** Activities associated with the overall general administration of or executive responsibility for the entire school administrative unit. Titles may include superintendent, associate or assistant superintendent, but may not be limited to such designations. These activities may be distinguished from the supervision or direction of a specific function, program or supporting service that may appropriately be charged to another specific instructional or supporting function. When the same individual directs two or more functions, the services of that individual's office may be prorated between the functions concerned.

**Function code 2321 – Executive Administration – Office of the Superintendent.** Activities performed by the superintendent and assistant superintendent(s) in generally directing and managing all affairs of the school administrative unit. Activities of any assistant superintendent(s) are charged here, unless the activities can be placed properly into a service area.

**Function code 2322 – Executive Administration – Community Relations.** Activities and programs developed and operated system wide for bettering school-community relations. Use to code costs for CTE Advisory Boards.

**Function code 2323 – Executive Administration – State and Federal Relations.** Activities associated with developing and maintaining good relationships with state and federal officials. The activities associated with grant procurement are included here, as well as costs for the administration of Adult Education programs.

**Function code 2329 – Executive Administration – Other Executive Administration.** Other general administrative services that are not properly recorded elsewhere in the 2320 function code series. Use for Adult Education Advisory Council.

**Function code 2330 – Special Area Administration.** Costs for administrative activities that cover an entire program area, such as the Special Services Office.

**Function codes 24x (Support Services School Administration):** All costs, other than the exclusions, must be considered direct. No adjustments are allowed.

**Function codes 2400 – School Administration.** Activities concerned with overall administrative responsibility for a school.

**Function codes 2410 – Office of the Principal.** Activities concerned with directing and managing the operation of a particular school. It includes the activities performed by the principal, assistant principals, and other assistants while they supervise all operations of the school, evaluate the staff members of the school, assign duties to staff members, supervise and maintain the records of the school, and coordinate school instructional activities with those of the school administrative unit. These activities also include the work of clerical staff in support of the teaching and administrative duties.

**Function codes 2490 – Other Support Services – School Administration.** Other school administration services. This function includes graduation expenditure, accreditation costs and expenses and full-time department chairpersons.

**Function codes 2500 – Central Services.** Activities that support other administrative and instructional functions, including fiscal services, human resources, planning, and administrative information technology.

**Function codes 2510 – Fiscal Services.** Activities concerned with the fiscal operations of the school administrative unit. This function includes budgeting, receiving and disbursing, financial and property accounting, payroll, inventory control, internal auditing, investments and funds managing. Fiscal services are inclusive of supervision of fiscal services, budgeting services, and payroll, internal audit, and general accounting functions.

**Function codes 2520 – Purchasing, Warehousing, and Distributing Services.** Activities concerned with purchasing, receiving, storing, and distributing supplies, furniture, equipment, and materials used in schools or school administrative unit operations.

**Function codes 2530 – Printing, Publishing, and Duplicating Services.** The activities of printing and publishing administrative publications such as annual reports, school directories, and manuals. Activities here also include centralized services for duplicating school materials and published items such as school bulletins, newsletters and notices.

**Function codes 2540 – Planning, Research, Development, and Evaluation Services.** Activities associated with conducting and managing system wide programs of planning, research, development, and evaluation for a school administrative unit. Use to record costs of school unit reorganization.

**Function codes 2541 – Planning, Research, Development, and Evaluation Services – Planning Services.** Includes activities concerned with selecting or identifying the overall, long-range goals and priorities of the organization or program. They also involve formulating various courses of action needed to achieve these goals by identifying needs and the relative costs and benefits of each course of action.

**Function codes 2542 – Planning, Research, Development, and Evaluation Services – Research Services.** Activities concerned with the systematic study and investigation of the various aspects of education, undertaken to establish facts and principles.

**Function codes 2543 – Planning, Research, Development, and Evaluation Services – Development Services.** Activities in the deliberate, evolving process of improving educational programs.

**Function codes 2544 – Planning, Research, Development, and Evaluation Services – Evaluation Services.** Activities concerned with ascertaining or judging the value or amount of an action or an outcome by appraisal of data in regards to a specific situation and previously established goal.

**Function codes 2560 – Public Information Services.** Activities concerned with writing, editing, and other preparation necessary to disseminate educational and administrative information to students, staff, managers, and the general public through direct mailing, the

various news media, e-mail, the Internet and web sites, and personal contact. The information services function code includes related supervision and internal and public information services.

**Function codes 2570 – Personnel Services.** Activities concerned with maintaining efficient personnel for the school administrative unit. It includes such activities as recruitment and placement, non-instructional staff training, staff transfers, in-service training, health services, and staff accounting.

**Function codes 2571 – Supervision of Personnel Services.** The activities of directing, managing, and supervising staff services.

**Function codes 2572 – Recruitment and Placement.** Activities concerned with employing and assigning personnel for the school administrative unit.

**Function codes 2573 – Personnel Information.** Services rendered in connection with the systematic recording and summarizing of information relating to staff members employed by the school administrative unit.

**Function codes 2574 – Non-Instructional Personnel Training.** Activities associated with the professional development and training of non-instructional personnel. These include such activities as in-service training, seminars and conferences, continuing professional education, courses for college credit (tuition reimbursement), and other activities related to the ongoing growth and development of non-instructional personnel. The incremental costs associated with providing temporary employees to perform job duties while regular employees attend training should be captured here. All costs should be charged to this code regardless of whether training services are provided internally or purchased from external vendors.

**Function codes 2575 – Health Services.** Activities concerned with medical, dental, and nursing services provided for school administrative unit employees. Included are physical examinations, referrals and emergency care.

**Function codes 2579 – Other Personnel Services.** Personnel services that cannot be classified under other function codes in the 2500 series. Most commonly used to record retiree costs, such as retiree health insurance. Also used to record costs of self-funded unemployment.

**Function codes 2580 – Administrative Technology Services.** Activities concerned with supporting the school administrative unit's information technology systems, including supporting administrative networks, maintaining administrative information systems, and processing data for administrative and managerial purposes. These activities include expenditures for internal technology support, as well as support provided by external vendors using operating funds. These activities include costs associated with the administration and supervision of technology personnel, systems planning and analysis, systems application development, systems operations, network support services, hardware maintenance and support services, and other technology related administrative costs. Used when accounting for a staff person devoted to providing services to administrative personnel only or when technology training is provided to administrative staff.

**Function codes 2581 – Technology Service Supervision and Administration.** Activities concerned with directing, managing, and supervising data processing services.

**Function codes 2582 – Systems Analysis and Planning.** Activities concerned with searching for and evaluating alternatives for achieving defined objectives. These activities may pertain to the development of data processing procedures or application to electronic data processing equipment.

**Function codes 2583 – Systems Application Development.** Activities concerned with solving problems via processing data. These activities also involve preparing coded instructions and data in order to develop a problem solving application.

**Function codes 2584 – Systems Operations.** Activities concerned with scheduling, maintaining, and producing data.

**Function codes 2585 – Network Support.**

**Function codes 2586 – Hardware Maintenance and Support.**

**Function codes 2587 – Professional Development Costs for Administrative Technology Personnel.**

**Function codes 2589 – Other Technology Services.** Activities concerned with technology not properly classified elsewhere in the 2580 function code series.

**Function codes 2590 – Other Support Services – Central Services.** Other support services to business not classified elsewhere in the 2500 series.

**Function codes 2600 – Operation and Maintenance of Plant.** Activities concerned with keeping the physical plant open, comfortable, and safe for use, and keeping the grounds, buildings, and equipment in effective working condition and state of repair. This includes the activities of maintaining safety in buildings, on the grounds, and in the vicinity of schools. Costs for building rental and property insurance should also be included here.

**Function codes 2610 – Care and Operation of Buildings.** Custodial activities concerned with keeping the physical plant clean and ready for daily use. This includes operating the heating, lighting, and ventilating systems, and doing minor repairs.

**Function codes 2620 – Maintenance of Buildings.** Activities associated with keeping buildings at an acceptable level of efficiency through repairs and preventative maintenance.

**Function codes 2630 – Care and Upkeep of Grounds.** Activities involved in maintaining and improving the land (but not the buildings). This code includes snow removal, landscaping, grounds maintenance, and the like.

**Function codes 2640 – Care and Upkeep of Equipment.** Activities involved in maintaining equipment owned or used by the school administrative unit. This includes such activities as servicing and repairing furniture, machines, and movable equipment.

**Function codes 2650 – Vehicle Operation and Maintenance (other than Student Transportation Vehicles).** Activities involved in maintaining general purpose vehicles such as trucks, tractors, graders, and staff vehicles. This includes such activities as repairing vehicles; replacing vehicle parts; and cleaning, painting, greasing, fueling, and inspecting vehicles for safety, (i.e., preventive maintenance).

**Function codes 2660 – Security.** Activities concerned with maintaining a safe and secure environment for students and staff, whether in-transit to or from school, on a campus or administrative facility, or participating in school-sponsored events. This includes costs associated with security plan development and implementation, installation of monitoring devices such as cameras or metal detectors, security personnel such as campus police and security guards, purchase of security vehicles and communication equipment, and other security related costs. Costs associated with in-service training related to school safety, drug and violence prevention training, and alternative schools should not be accounted for here.

**Function codes 2670 – Safety.** Activities concerned with maintaining a safe environment for students and staff, whether they are in transit to or from school, on a campus or administrative facility, or participating in school sponsored events. This includes costs associated with installing and monitoring school fire alarm systems and providing school crossing guards, as well as other costs incurred in an effort to ensure basic safety of staff and students. Costs associated with in-service training related to school safety, drug and violence prevention training, and alternative schools should not be accounted for under this function code.

**Function codes 2680 – Capital Enhancement and Improvement.** Those activities having to do with additions or alterations to existing plant assets that add to, as opposed to restore, the value of the base asset or create a new asset. Many of these projects and expenses are made to enhance educational programs. (Adding a new ventilation system when one did not exist is a capital improvement or enhancement while replacing a roof is capital renewal.)

**Function codes 2690 – Capital Renewal and Renovation.** Those activities having to do with the replacement, in whole or substantial part, of a building component which renews its life expectancy. Activities which bring facilities up to current codes and standards would be categorized as capital renewal. In most cases, capital renewal activities involve the substantial renewal or replacement of fixed assets. Examples include: replacing a roof covering, replacing a boiler, installing new windows.

**Function codes 2700 – Transportation.** Activities concerned with conveying students to and from school, as provided by state and federal Law. This includes trips between home and school, and trips to school activities.

**Function codes 2710 – Vehicle Operation.** Activities involved in operating vehicles for student transportation, from the time the vehicles leave the point of storage until they return to the point of storage. These include driving buses or other student transportation vehicles.

**Function codes 2720 – Monitoring Services.** Activities concerned with supervising students in the process of being transported between home and school and between school and school activities. Such supervision can occur while students are in transit and while they are being loaded and unloaded and it includes directing traffic at the loading stations.

**Function codes 2730 – Vehicle Servicing and Maintenance.** Activities involved in maintaining student transportation vehicles. These include repairing vehicle parts; replacing vehicle parts; and cleaning, painting, fueling, and inspecting vehicles for safety.

**Function codes 2750 – Transportation for Special Needs Students – Out of District Placements.** Costs associated with the transportation of special needs students to out of district placements.

**Function codes 2755 – Transportation for Special Needs Students – In-district Placements.** Costs associated with special transportation needs of special needs students to in-district placements.

**Function codes 2760 – Transportation for Career and Technical Education Students.** Costs associated with transporting students to and from a career and technical education center or region as part of the regular program of instruction.

**Function codes 2770 – Out of District Transportation for Homeless Students.** Transportation services provided to homeless students, as required by Federal statute, who choose to attend schools in other school administrative units.

**Function codes 2780 – Special Transportation.** Transportation costs not associated with transporting students.

**Function codes 2790 – Other Student Transportation Services.** Student transportation services which cannot be classified elsewhere in the 2700 series.

**Function codes 3100 – Food Services Operations.** Activities concerned with providing food to students and staff in a school or school administrative unit. This service area includes the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities and the delivery of food.

**Function codes 3200 – Enterprise Operations.** Activities that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs are financed or recovered primarily through user charges; one example could be the school administrative unit bookstore. Child Nutrition Programs would not be charged here but under function 3100.

**Function codes 3300 – Community Services Operations.** Activities concerned with providing community services to students, staff, or other community participants. Examples of this function would be with program code 8000 series, for such transactions as the operation of a community swimming pool, a recreation program for senior citizens, a child care center for working parents.

**Function codes 4000 – Facilities Acquisition and Construction.** Activities concerned with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvements to sites.

**Function codes 5000 – Debt Service.** Activities related to servicing the long-term debt of the school administrative unit, including payments of both principal and interest. This function should be used to account for bond interest payments, retirement of bonded debt (including current and advance refunding), capital lease payments, and other long-term notes. Interest on short-term notes or loans (repayable within one year of receiving the obligation) is not charged here as the receipt and payment of principal on those loans are treated as adjustments to the balance sheet.