



# **Indirect Cost Allocation Plan For Local Education Agencies And Public Charter Schools**

**New Hampshire Department of Education  
101 Pleasant St.  
Concord, NH 03301  
Office of School Finance  
(603) 271-3876 (phone)  
(603) 271-1953 (fax)**

**Effective: July 1, 2022**

The New Hampshire Department of Education does not discriminate on the basis of race, color, national origin, sex, age or disability in admission or access to, or treatment or employment in its educational programs or activities. Inquiries concerning Title VI, Title IX, Section 504, and the Americans with Disabilities Act may be referred to the U.S. Department of Education, Office for Civil Rights, Boston Office, 33 Arch Street, Suite 900, Boston, MA 02110-1491, or call 617-289-0111 or TDD 877-521-2172. This publication will be provided in an alternative format upon request.

# Table of Contents

INTRODUCTION .....	1
INDIRECT COST INFORMATION.....	2
RATE TYPES.....	3
CLASSIFICATION OF COSTS.....	4
COMMON INDIRECT COST ISSUES .....	6
INDIRECT COST RATE CALCULATION METHODOLOGY .....	8
LEA REQUIREMENTS .....	8
INDIRECT COST RATE APPLICATION .....	10
APPLYING THE INDIRECT COST RATE .....	12
GLOSSARY.....	11
SAMPLE CERTIFICATION LETTER.....	18
DOE-25 - INDIRECT COST RATE WORKSHEET.....	19
COST MATRIX.....	20
LEA PROFILE.....	21

## INTRODUCTION

The U.S. Office of Management and Budget (OMB) 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 sub grantees of federal grants. This information can be found at: <http://www2.ed.gov/policy/fund/guid/uniform-guidance/index.html>. The objectives of the Uniform Guidance are:

- 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 Guidance concept of the “cognizant” 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.

The New Hampshire Department of Education (NHDOE) has, in cooperation with the U.S. Department of Education (US-DOE), developed an indirect cost proposal to be used by the 178 local education agencies (LEA) and 27 public charter schools in New Hampshire. NHDOE has been delegated the authority by the US-DOE to review indirect cost applications and to approve indirect cost rates for LEAs.

In accordance with OMB Uniform Guidance § Subpart E and EDGAR § 76.560 (b), LEAs must have an approved indirect cost rate in order to recover any indirect cost

related to federal grants and contracts. **LEAs are not required to develop an indirect cost rate. However, if they fail to do so, they will not be allowed to recover any indirect cost related to federal grants and contracts.**

## INDIRECT COST INFORMATION

An indirect cost rate is a means of determining in a reasonable manner the percentage of allowable general management costs that each federal grant should bear. Indirect costs are generally administrative costs such as the salaries and expenses for people who are engaged in administrative activities from which the entire LEA benefit.

Generally, an indirect cost rate is a ratio of total indirect costs to total direct costs, based on an LEA's actual expenditures, exclusive of any extraordinary or distorting expenditures such as capital outlay and major subcontracts. When calculating the indirect cost rate the *expenditures for the second preceding fiscal year* are used. For example, expenditures for FY 2016-17 will be used when calculating the rates for FY 2018-19. The second preceding year is used because the actual costs for the immediately preceding year will not be available at the time the LEA needs to calculate the rate for the following year.

In the case where a Public Charter School would not have financial data for the second preceding year due to it being a newly established entity, the Public Charter School's board approved budget would be used in the two year interim period. The calculated rate would be capped at 8% and the board approved budgets would have to conform to the ["New Hampshire Financial Accounting Handbook For Local Education Agencies"](#).

Indirect costs are recovered only to the extent of direct costs incurred. Once a rate is received it is applied to the net direct cost amount expended (total direct costs less equipment purchases, alterations and renovations, the portion of individual sub-awards exceeding \$25,000 and flow-through funds).

The NHDOE utilizes the DOE-25 report submitted by the LEAs to determine the indirect cost rates that are to be applied to the respective LEAs. The DOE-25 is a detailed **Annual Financial Report** that is required under NH RSA 198: 4-d to be submitted annually by all LEAs. The information that makes up that report allows the NHDOE to calculate the indirect cost rates. Therefore, it is essential that a district classifies expenditures uniformly and consistently in accordance with the ["New Hampshire Financial Accounting Handbook For Local Education Agencies."](#) Similar types of expenditures must be consistently charged to the same accounting class. All expenditures detailed on the DOE-25 must have been made, and records supporting them must be maintained by the LEA.

A LEA may elect to claim indirect cost at a rate less than that calculated and approved as the maximum; however, in no instance may it use a rate for a grant or contract that exceeds the approved maximum.

## RATE TYPES

### Restricted Rates:

As defined in the Education Department General and Administrative Regulations (EDGAR), 34 CFR 76.563-76.569, restricted rates apply to grants that are made under federal programs with supplement and in no case supplant requirements. This means that the funds 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 NHDOE are of the “restricted” type.

Restricted grants include only indirect costs consisting of **general management costs** and **fixed charges** as defined below:

**General Management Costs:** Consist of the salaries and expenses for employees performing accounting, payroll preparation, or personnel management activities. 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, attendance, transportation, community services, and student services. The costs of these functions are considered direct costs.

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.

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.”

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;
2. Compensation of the chief executive officer (Superintendent of a school district) and

chief business officer of the grantee. **Applies to districts with 2,500 students or more (per final pupil membership figure for preceding year)**

3. Operation of the immediate offices of these officers. **Applies to districts with 2,500 students or more (per final pupil membership figure for preceding year)**

Accordingly, the superintendent's, chief business officer, and board of education's salary, benefits, communications/telephone charges and other expenditures related directly to the operation of the Superintendent's, chief business officer and board of education offices, specifically, are not included in indirect costs and are considered, for rate computation purposes, to be unallowed costs in the calculation of the **restricted indirect cost rate**.

Charges for individuals whose time is divided between district-wide management responsibilities and specific program or administrative activities will be based on Personal Activity Reports prepared at least monthly in compliance with OMB Uniform Guidance § 200.430 (i)(8) and "[New Hampshire Department of Education Federal Funds Handbook](#)". If the Superintendent is part-time, both Superintendent-time and non-Superintendent-time must be captured by time distribution records.

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 unallowed costs and are considered to be unallowed costs for rate computation purposes for both the **restricted and unrestricted rate**.

**Fixed charges:** Fixed charges 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 as:

1. Employee retirement
2. Social Security
3. Pension fund payments
4. Premium expenditures for:
  - a. employee insurance
  - b. liability insurance
5. Unemployment and workers compensation, and
6. All similar costs normally considered being employee fringe benefits.

## CLASSIFICATION OF COSTS

**Direct Costs:** Direct costs as defined in the uniform guidance §200.413 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.

Salaries for associate and/or assistant superintendents who are assigned specific functions in one area or program, along with their clerical assistants' salaries and related items of cost, would be considered a direct cost. The immediate clerical positions would include secretaries. In instances where project directors and their immediate staff receive funds for payment of their salaries from more than one program, it will be necessary to negotiate with state program coordinators to determine an acceptable distribution of time and funding. In any instance where a position is employed less than full time in a federal program, time records must be maintained in accordance with NHDOE Federal time distribution policies. State program administrators will review positions classified as direct cost at the time of project approval. Both state and federal auditors will be expected to give special attention to direct cost positions.

**Indirect Costs:** Indirect costs as defined in the uniform guidance §200.414 are those costs which are not readily identifiable with the activities of the grant but are, nevertheless, incurred for the joint benefit of those activities and other activities or programs of the organization. In accordance with Appendix VII to Part 200, indirect costs are costs meeting the following criteria:

- 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 federal financial assistance program as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to a federal financial assistance program as a direct cost.

Due to the diverse characteristics and accounting practices of State and local agencies, the types of costs which may be classified as indirect costs cannot be specified in all situations.

However, typical examples of indirect costs may include: procurement, payroll, personnel functions, maintenance and operations of space, data processing, accounting, auditing, budgeting, communications (telephone, postage), etc.

**Excluded Costs:** Certain types of costs as described in uniform guidance §200.1 are classified as extraordinary or distorting expenditures, and are excluded from the computation of the indirect cost rate. Excluded costs in this category include capital outlay, debt service,

judgments against the school district, certain transfers, internal service fund expenditures, direct food costs and non-operating fund expenses. For formula computational purposes, these costs are excluded from the rate computation.

**Unallowed Costs:** OMB Uniform Guidance 2 CFR Part 200 § Subpart E, classified certain items of cost as unallowed which means that the federal funds cannot be used for these purposes. These are costs directly attributable to governance. Governance includes any expenditure related to the LEA's board, such as travel, per diem and elections. A school principal's salary and other costs associated with this position (clerical assistants, office expense and travel) should be shown as an unallowed costs. However, for rate computational purposes, these unallowed costs should be included in the base for allocation along with direct costs if they generated or benefited from allowable indirect cost.

## COMMON INDIRECT COST ISSUES

### Severance Pay:

Severance pay are payments that are in addition to regular salaries and wages made to workers whose employment is being terminated are allowable to the extent that in each case, they are required by law, employer employee agreement, or established written policy.

**Normal Severance Payments:** Severance payments (but not accruals) to separating employees for termination benefits associated with normal turnover are treated as indirect costs when computing the Restricted and Unrestricted indirect cost rate with one exception. When computing the Restricted indirect cost rate, terminal 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.

**Abnormal Severance Payments:** The NHDOE will not issue advance approvals to charge mass or abnormal severance costs to federal programs as an indirect cost. All costs associated with mass or abnormal severance will be treated as direct/unallowed costs for purposes of calculation of the restricted and unrestricted indirect costs rates. Accordingly, early retirement incentive payments (ERIP) are treated as an unallowed cost for purposes of indirect cost rate calculation.

**Post-Retirement Health Benefits (PRHBs):** Any LEA paid Post Retirement Health Benefits (PRHB) are 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.

**Preapproval of mass severance:** Measurement of costs of abnormal or mass severance pay by means of an accrual will not achieve equity to both parties. Thus, accruals for this purpose are not allowable. However, the Federal Government recognizes its responsibility to



participate, to the extent of its fair share, in any specific payment. Prior approval by the Federal awarding agency or cognizant agency for indirect cost, as appropriate, is required. 2CFR 200.431(i)(2)(ii)

### **Unused Leave Costs:**

The NHDOE uses the modified accrual basis of accounting. The cost of unused leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable as indirect costs in the year of payment. The unused leave costs associated with normal turnover 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 unallowed for the Restricted Rate (i.e. superintendent and their office), are considered to be part of the direct base cost for rate calculation purposes only.

### **Sub-Awards:**

The distribution base should exclude distorting items. As such, sub-award payments in excess of \$25,000 are excluded from the Indirect Cost Rate calculation with the first \$25,000 being allowed in the direct cost base. (Uniform Guidance §200.1)

### **Capital Outlay:**

Payments of principal and interest on capital outlays are excluded. Capital outlay (object code 5xx) includes land, buildings, improvements to grounds and fixed equipment over the districts' capitalization threshold.

### **Food Service Operations:**

The cost of food (object code 630) is excluded from the Indirect Cost Rate Calculation. Approximately 49 school districts outsource food services and treat these costs as professional services per 2 CFR 200.459. The remaining 110 school districts insource food service; if the school district operates its own food services, then the costs of food supplies and materials are reported as excluded costs. All other costs are reported as direct costs. Due to the changing environment, New Hampshire monitors these costs to ensure proper treatment. This is done through examining the district's year end financial report (DOE-25) for purchased services expense in the food service area.

### **Transfers:**

Transfers (function 5200) from one account to another are not a true expense and shall be reported as excluded costs for rate calculation purposes. Examples would be transfers between the districts various funds (General, Food Service, Capital, and Trust).

## **INDIRECT COST RATE CALCULATION METHODOLOGY**

LEA's are required to record expenditures accurately and consistently by fund, function and object accounts as prescribed by the ["New Hampshire Financial Accounting Handbook For Local Education Agencies."](#) LEA's DOE-25 report data will be used to calculate the Indirect Cost Rates using the following methodology.

The indirect cost plan for a LEA establishes the maximum predetermined rate for a given year. Calculation of the indirect cost rate consists of a formula that takes expenses classified as indirect (also called indirect cost pool) and divides them by expenses classified in the direct and unallowed categories (also called direct cost base). After final calculations of the indirect cost rate, the average 3 year rate is discounted by 10%. For example, if the indirect cost rate calculated for the average of three years was 15%, this rate would then be discounted by 1.5% (15% times 10%). The indirect cost rate then submitted for approval would be 13.5% (15% - 1.5%). Once approved, this rate then becomes the Predetermined Rate for that LEA for that year period and does not have to be subjected to future adjustments.

## **LEA REQUIREMENTS**

The classification of expenditures for New Hampshire local school districts must be in conformance with the ["New Hampshire Financial Accounting Handbook For Local Education Agencies."](#) Failure to comply with the classification of expenditures as required in that accounting manual may result in Single Audit questioned costs related to indirect cost recovery. In addition, the schedules must reconcile with the DOE-25 report for the appropriate fiscal year.

Detail records are required to support any indirect cost attributed to General Administration (functions 2300). The records should contain a detailed analysis of costs classified as indirect, which should include a justification or explanation as well as other pertinent information.

Schedules or other records that document the reporting of all expenditures recorded as

excluded costs should be maintained.

Generally, records and documentation supporting the indirect cost allocation plan must be retained for a period of three years after the last day of the fiscal year to which the proposal applies or until audited, whichever occurs sooner. If audit exceptions have been noted, records must be retained until those exceptions have been resolved.

## INDIRECT COST RATE APPLICATION

The DOE-25 report submitted annually by the LEAs on September 1<sup>st</sup> showing the previous fiscal year's (ending June 30<sup>th</sup>) financial activity are used to determine the indirect cost rates for the next fiscal year (two fiscal years after the fiscal year of the financial data). The rates for the next fiscal year (starting July 1<sup>st</sup>) are published on or around the preceding April 15<sup>th</sup>.

The following steps are taken in calculating the indirect cost rate. In order to prepare an indirect cost rate, total costs from the DOE-25, regardless of funding source, are classified into one of the following categories: direct, indirect, excluded or unallowable. Any expenses reported under object codes 7XX-Property, and 800-940 Other Objects and Other Uses of Funds are excluded. In addition, the amount of individual contracts above \$25,000.00 must be reported by the LEA. The following information is gathered to calculate to annual rates for the LEAs:

1. Using the Indirect Cost Rate worksheet that is linked to the full DOE-25 report for each LEA, all DOE-25 General Fund (1) expenditures, by function, are categorized into one of the following classes: direct, indirect, disallowed, or excluded. Refer to the guidance given in this document, EDGAR and Uniform Grant Guidance to assist in classifying expenses.

### Indirect Costs Functions

Indirect costs are those expenditures not easily associated with a particular program, and include:

<b><u>Code</u></b>	<b><u>Function</u></b>
2300	General Administration (General Fund only), except for the following items reported in the Supplemental Information for Calculating Indirect Cost. <ol style="list-style-type: none"><li>a. The cost of the Superintendent and Administrative Support for the Superintendent</li><li>b. All costs associated with the School Board.</li></ol>
2500	Support Services – Business (General Fund only)
2800	Support Services - Central (General Fund only)
2900	Other – The DOE-25 Financial Statement does not allow entries for this function

### Direct Cost Functions

1000	Instruction
2100	Support Services - Students
2200	Support Services - Instructional Staff
2400	Support Services - School Administration
2600	Operation and Maintenance of Plant (except when computing unrestricted rates)
2700	Student Transportation Services
1600	Adult and Continuing Education
1700	Community/Jr. College
1800	Community Service

3100	Food Service Operations
2300	General Administration (Special Revenue Fund)
2500	Support Services – Business (Special Revenue Fund)
2800	Support Services – Central (Special Revenue Fund)

#### **Excluded Functions**

1500	Private Programs
2750	Non-Student Transportation
4000	Facilities Acquisition and Construction
5000	Debt Service, Fund Transfers, Transfers to Other Agencies, Charter School Tuition and Judgments against the district, all other 5000 uses.

#### **Excluded Objects**

These objects are not part of the indirect cost rate calculation. These exclusions apply to all funds.

- a. General Revenue fund and Special Revenue fund capital items as reported in the supplemental section of page 23 of the DOE-25. These include objects 710 Land and Building Improvement (other than function 4000) and 730 Equipment (including vehicles busses, and other equipment). Capital items with value exceeding the locally defined limit for capitalization (which may be no greater than \$5,000) must be reported in this section.
- b. Cost of food as reported on page 15 of the DOE-25.
- c. The Supplemental Indirect Cost Section on page 23 of the DOE-25:
  - i. The cost of the superintendent and administrative support of the superintendent.
  - ii. All costs associated with the School Board.

#### **Unallowed Expenditures**

Federal regulations classify some expenditures as “unallowed”. These items are excluded from the direct expenditure total because the demand they place on indirect cost services is negligible, because they are unusual one-time items that would distort the indirect cost ratio, or because they are specifically disallowed by federal regulation. These items are excluded from the indirect cost rate calculation. Also, within a grant, indirect cost reimbursement on these items is not allowed. These expenditures must be reported in Supplemental Indirect Cost Section of the DOE-25 with a short description and the applicable fund/function/object. Unallowed Expenditures include:

- a. That portion of the cost of a sub-contract that exceeded \$25,000
- b. Replacement items funded by insurance coverage not reported in the Supplemental Capital Items Section or as function 4000
- c. Expenditures for contributions or donations
- d. Entertainment
- e. Legal judgments, fines or penalties
- f. Defense in legal action (This does not include general counsel.)
- g. Lobbying activities

**Note:** Description of functions is described in more detail in Glossary of Terms.

$$\frac{\text{Indirect Cost}}{\text{Unallowed Cost} + \text{Direct Cost}} = \text{Indirect Cost Rate} \quad \text{Indirect Cost Rate} - \text{Discounted Factor (Rate} \times 10\%) = \text{Allowable Predetermined Discounted Rate}$$

2. Once the NHDOE completes the Indirect Rate calculations, a signed copy of the Certification Letter is mailed to the LEAs. (An example of this letter is included on page 17. The approved indirect cost rates are also posted on the New Hampshire Department of Education's website <https://www.education.nh.gov/who-we-are/division-of-educator-and-analytic-resources/bureau-of-education-statistics/financial-reports>

### APPLYING THE INDIRECT COST RATE

The Indirect Cost Rate is used to compute indirect cost dollar amounts. The LEA is required to use the approved rate or a lesser rate in all applications for federal grants and contracts during the fiscal year for which the rate has been established. Please remember that there are separate rates for restricted and non-restricted programs.

Computation of the Indirect Cost Rate is accomplished by the following formula:

$$(\text{Allowable indirect cost rate}) * (\text{Total Grant expenditures} - \text{capital outlay} - \text{debt service} - \text{outgoing transfers} - \text{indirect costs}) = \text{Indirect cost dollar amount}$$

### Glossary of Terms

**The School Administrative Unit:** referred to as an SAU, acts as an intermediate agency which acts as the central office for a school district(s). The SAU houses the office of the Chief Executive Office or Superintendent. In addition, all business related functions are provided at this level. The SAU shall be responsible for planning and managing the administrative and leadership services of the local school district or districts within the school administrative unit subject to statutory requirements, these rules, and the policies of the local districts. Such local district services shall include but not be limited to the following areas: personnel, finance, communication/community relations, student service, maintenance/capital improvement, curriculum, instruction, assessment, short and long range planning, governance for student achievement, policy research, implementation, and review and overall leadership on

educational issues.

**Description of Fund Classifications and Functions** – The items described below are extracted from the “New Hampshire Financial Accounting Handbook for Local Education Agencies 1999 Edition (updated - August 2001”.)

**Note:**

1. The New Hampshire Financial Accounting Handbook is located on the Department website @ [https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/fin\\_acct\\_handbk.pdf](https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/fin_acct_handbk.pdf)

2. DOE-25 “Annual Financial Report Statement” is located on the Department website @ <https://www.education.nh.gov/who-we-are/division-of-educator-and-analytic-resources/bureau-of-education-statistics/financial-reports>- Excel workbook is located under the section label as Tools

**Fund Classifications (page A-20)**

**10 General Fund.** Accounts for all financial resources of the LEA except those required to be accounted for in another fund.

**20 Special Revenue Fund.** Accounts for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

**21 Food Service.** Accounts for the proceeds of revenue sources that are legally restricted to expenditure for purpose of providing food service.

**22 All Other.** A separate fund may be used for each restricted source, or one fund may be used supplemented by the dimension Project/Reporting code.

**30 Capital Projects Fund.** Accounts for financial resources used to acquire or construct major capital facilities (other than those of proprietary funds and trust funds). The most common source of revenue in this fund would be the sale of bonds. A separate fund may be used for each capital project or one fund may be used, supplemented by the dimension Project/Reporting code.

**40 Debt Service Fund.** Accounts for the accumulation of resources for, and the payment of, general long term debt, principal and interest. ***Not applicable in the State of New Hampshire.***

## Function (pages A-35 through A-55)

The function describes the activity for which a service or material object is acquired. The functions of an LEA are classified into five broad areas:

- 1000** Instruction
- 2000** Support Services
- 3000** Operation of Non-Instructional Services
- 4000** Facilities Acquisition and Construction Services
- 5000** Other Outlays

Functions are further broken down into sub-functions and areas of responsibility. Each of these levels consists of activities which have somewhat the same general operational objectives. Furthermore, categories of activities comprising each of these divisions and subdivisions are grouped according to the principle that the activities can be combined, compared, related and mutually exclusive.

For example:

Function - support services	2000
Sub-function - school services, general administration	2300
Service area - board of education services	2310
Executive Administrative Services	2320

The function structure in these guidelines is not intended to dictate an organizational structure, i.e. how the administrative functions are organized. Rather, an effort has been made to group together functions in relation to the magnitude of expenditures typically found in the LEA. This grouping corresponds to the categories most frequently requested in reporting to external agencies. LEAs wishing to utilize an organizational structure within their account code should consider using the dimensions "instructional organization" and "operational unit."

### **Code   Function**

- 1000**   **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 such as those involving co-curricular activities. It may also be provided through some other approved medium such as television, radio, telephone, and correspondence. Included here are the activities of aides or classroom assistants of any type (clerks, graders, teaching machines, etc.) which assist in the instructional process. If pro-ration of expenditures is not possible for department chairpersons who also



teach, include such expenditures in instruction. Full-time department chairpersons' expenditures should be included only in 2490.

**1600 Adult/Continuing Education Programs.** Activities that develop knowledge and skills to meet immediate and long range educational objectives of adults who, having completed or interrupted formal schooling, have accepted adult roles and responsibilities. Programs include activities to foster the development of fundamental tools of learning; prepare students for a postsecondary career; prepare students for postsecondary education programs; upgrade occupational competence; prepare students for a new or different career; develop skills and appreciation for special interests; or to enrich the aesthetic qualities of life. Adult basic education programs are included in this category.

**1700 Community/Junior College Education Programs.** Activities for students attending an institution of higher education which usually offers the first two years of college instruction. If the LEA has the responsibility of providing this program, all costs of the program should be coded here.

**1800 Community Services Programs.** Activities which are not directly related to the provision of educational services in an LEA. These include services such as community recreation programs, civic activities, public libraries, programs of custody and care of children, and community welfare activities provided by the LEA for the community as a whole or some segment of the community.

**2000 Support Services.** Support services provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objectives of instruction, community services and enterprise programs, rather than as entities within themselves.

**2100 Support Services-Students.** Activities designed to assess and improve the well-being of students and to supplement the teaching process.

**2200 Support Services-Instructional Staff.** Activities associated with assisting the instructional staff with the content and process of providing learning experiences for students.

**2300 Support Services-General Administration.** Activities concerned with establishing and administering policy for operating the LEA. **Note:** (The Chief Business Official should be classified as Support Services-Business, function 2500.)

**2310 School Board Services.** Activities of the elected body which has been created according to State law and vested with responsibilities for educational activities in a given administrative unit.

**2317 Audit.** Activities connected with providing auditing services, normally rendered by an independent auditor, a town auditor or auditors from the NH Department of Revenue Administration.

**2320 Executive Administration Services.** Activities associated with the overall general administration of or executive responsibility for the entire LEA.

**2321 Office of the Superintendent Services.** Activities performed by the superintendent and such assistants as deputy, associate, and assistant superintendents in generally directing and managing all affairs of the LEA. These include all personnel and materials in the office of the chief executive officer. Activities of the offices of the deputy superintendents should be charged here, unless the activities can be placed properly into a service area such as fiscal or operations.

**2400 Support Services-School Administration.** Activities concerned with overall administrative responsibility for a school.

**2410 Office of the Principal Services.** Activities concerned with directing and managing the operation of a particular school. They include 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 LEA. These activities also include the work of clerical staff in support of the teaching and administrative duties.

**2500 Support Services-Business.** Activities concerned with paying, transporting, exchanging, and maintaining goods and services for the LEA. Included are the fiscal and internal services necessary for operating the LEA. **Note:** (Include the Chief Business Official and the activities of the Chief Business Official here.)

**2510 Fiscal Services.** Activities concerned with the fiscal operations of the LEA. This function includes budgeting, receiving and disbursing, financial and property accounting, payroll, inventory control, internal auditing and managing funds.

**2600 Operation and Maintenance of Plant Services.** 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. These include the activities of maintaining safety in buildings, on the grounds, and in the vicinity of schools.

**2700 Student Transportation Services.** 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.

**2800 Support Services-Central.** Activities, other than general administration, which support each of the other instructional and supporting services programs. These activities include planning, research, development, evaluation, information, staff, and data processing services.

**2900 Support Services-Other.** All other support services not classified elsewhere in the 2000 series. If employee fixed charges and benefits are classified in this function, expenses must be distributed for reporting purposes.

**3100 Food Services Operations.** Activities concerned with providing food to students and staff in a school or LEA. This service area includes preparing and serving regular and incidental meals or snacks in connection with school activities and food delivery.

**4000 Facilities Acquisition and Construction Services.** Activities concerned with acquiring land and buildings; remodeling buildings; constructing buildings and additions to buildings; initially installing or extending service systems and other built-in equipment; and improving sites.

**5100 Debt Service.** Servicing the debt of the LEA, including payments of both principal and interest. Normally, only long term debt service (obligations exceeding one year) is recorded here. Interest on current loans (repayable within one year of receiving the obligation) is charged to function 2513 . The receipt and payment of principal on those loans is handled as an adjustment to the balance sheet account 451.

Frank Edelblut  
Commissioner

Christine M. Brennan  
Deputy Commissioner

STATE OF NEW HAMPSHIRE  
DEPARTMENT OF EDUCATION  
101 Pleasant Street  
Concord, N.H. 03301  
TEL. (603) 271-3495  
FAX (603)-271-1953  
Citizens Services Line 1-800-339-9900

April 15, 2023

To: Superintendent of SAU #XX

Based on information provided in the DOE-25 Annual Financial Report for the fiscal year ending June 30, 2022, a Predetermined Restricted Indirect Cost Rate of **X.X%** has been calculated for the **XXXX School District**. This rate **does** include audit fees.

This rate is effective 7/01/2023 until 6/30/2024 and may be used when applying for grants for the 2023-2024 school year.

This rate is applicable to all programs, including those that require a restricted rate, per 34 CFR 75.563 and 34 CFR 76.563. This rate is applicable to a Modified Total Direct Cost (MTDC) base, defined in 2 CFR 200.1 as total direct costs excluding equipment, capital expenditures, participant support costs, pass-through funds and the portion of each subaward (subcontract or subgrant) above \$25,000 (each award; each year). The capitalization threshold set by the Federal Government is \$5,000, however the LEA needs to use the threshold set by local policy unless it is higher than the Federal threshold.

If you have any questions regarding your Predetermined Restricted Indirect Cost Rate, please contact Mark Manganiello at 603-731-6514, email address [Mark.P.Manganiello@doe.nh.gov](mailto:Mark.P.Manganiello@doe.nh.gov) or Matt Welch at 603-271-2752, email address [Matthew.Welch@doe.nh.gov](mailto:Matthew.Welch@doe.nh.gov).

Approved by,



Caitlin Davis, Director,  
Division of Education Analytics and Resources

--

Dist Name 0		Schedule of Expenditures for Computation of Restricted Indirect Cost						
Fraction	General Fund	Total Expenditures	Direct/ Disallowed Cost Objects 100-600	Indirect Cost Objects 100-600	Excluded Cost per 34 CFR 76			Debt Services
Code					Portion of Contract amounts above \$25,000 *	Capital/Property Object 700	Other Object 800-900	Fraction 5100
1000	Instruction	0.00	0.00			0.00	0.00	
2100	Support Services - Student	0.00	0.00			0.00	0.00	
2200	Support Services - Instructional Staff	0.00	0.00			0.00	0.00	
2300	General Administration	0.00		0.00		0.00	0.00	
2310	School Board Cost <sup>1</sup>	0.00						
		0.00						
2321	Cost of Superintendent & Business Officer <sup>2</sup>	0.00						
2400	School Administration	0.00	0.00			0.00	0.00	
2500	Business	0.00		0.00		0.00	0.00	
2600	Operation and Maintenance of Plant	0.00	0.00			0.00	0.00	
2700	Student Transportation	0.00	0.00			0.00	0.00	
2800	Central	0.00		0.00		0.00	0.00	
1600	Adult/Continuing Ed Programs	0.00	0.00			0.00	0.00	
1700	Community/Jr. College Programs	0.00	0.00			0.00	0.00	
1800	Community Service Programs	0.00	0.00			0.00	0.00	
	<b>Capital Outlay</b>							
4000	Facilities Acquisition And Construction	0.00				0.00		
	<b>Debt Service</b>							
5110-5120	Principal & Interest	0.00						0.00
	<b>Special Revenue Funds</b>							
3100	1. Food Service Operations							
	minus Cost of Food	0.00	0.00			0.00	0.00	
1000-2800	2. Special Revenue Expenditures	0.00	0.00			0.00	0.00	
	Total Grand Expenditures		0.00	0.00	0.00	0.00	0.00	0.00
	Total Indirect Cost		0.00		We are requesteting an indirect cost rate(choose yes or no in green cell below)			
	Total Direct Cost		0.00		NO			
	Restricted Indirect Cost Rate to be determined				Cost of Food for Districts that Out-Source their Food Service			
	Includes Audit - Y/N		N		District's Capitalization Threshold			
					2000			
	<b>Notes</b>							
	1) <b>2310 School Board Costs</b> - Enter the total expenditures for the District School Board Operations. This is an "unallowed" cost that is subtracted from the indirect pool of expenditures, and is added to the direct pool of expenditures.							
	2) <b>2321 Cost of Superintendent, Chief Business Officer &amp; Secretary and Assistant Superintendent</b> -(DISTRICTS OVER 2,499 ADM) Enter the cost which reflects the salary, benefits, fixed charges, supplies and othercost of the Superintendent, Chief Business Officer, Superintendent's Secretary and Assistant Superintendent (where applicable) whose responsibilities is directing and managing all affairs of the LEA. The activities of the Assistant Superintendent's office should be charge here, unless the activities can be placed properly into a service area such as; 2500 Business - Assistant Superintendent of Finance. This is an "unallowed" cost that is subtracted from the indirect pool of expenditures, and is added to the direct pool of expenditures.							
	3) <b>Contract Amounts Above \$25,000</b> - Enter the amount of any contracted service that exceeds \$25,000 per year per contract. (Prorate multi-year contracts.) This applies to object 300 (professional and technical services) except per diem. It also includes object code 400 and 500 fixed price and term contracts for such things as janitorial, grounds maintenance, and transportation. It does not include rentals, utilities or tuition.							

### Cost Categories by Indirect Cost Rate

#### Restricted Indirect Cost

Function	Function Name	Indirect	Direct	Excluded
1000	Instruction		X	
2100	Support Services - Student		X	
2200	Support Services - Instructional Staff		X	
2300	General Administration	X		
2310	School Board Cost		X	
2321	Cost of Superintendent, Business Officer & Sec & Assistant Super		X	
2400	School Administration		X	
2500	Business	X		
2600	Operation and Maintenance of Plant		X	
2700	Student Transportation		X	
2800	Central	X		
1600	Adult/Continuing Ed Programs		X	
1700	Community/Jr. College Programs		X	
1800	Community Service Programs		X	
	<b>Capital Outlay</b>			
4000	Facilities Acquisition And Construction			X
	<b>Debt Service</b>			
5110-5120	Principal & Interest			X
	<b>Special Revenue Funds</b>			
3100	1. Food Service Operations		X	
	<b>minus</b> Cost of Food			X
1000-2800	2. Special Revenue Expenditures			
<b>Object Codes</b>				
700	Capital Outlay			X
800-900	Other			X

## Profile of Local Education Agencies

### New Hampshire State Department of Education

1. Number of LEAs in the State - **206 Total (148 School Districts, 30 Charter Schools, 30 Educational Regional School District)**
2. Which basis of accounting is used by the LEAs? - **Modified Accrual**
3. Number of LEAs requesting indirect cost rates - **163 LEAs requested (158 Municipal Districts, 5 Charter Schools)**
4. LEAs utilizing the indirect cost rates – **The LEAs utilizing indirect cost rates are tracked in the Grant Management System.**
5. Describe Rates calculated - **Restricted**
6. Type of Rate calculated - **Predetermined (Rolling Average)**
7. If Predetermined, is the rate discounted? – **Yes, 10%**
8. Frequency of indirect cost rates calculated – **Annually**
9. Are unused leave payments in the indirect cost pool for calculation of the unrestricted indirect cost rate? - **Not applicable – restricted rate only**
10. Are the salaries and related costs of Superintendents, Deputy Superintendents, and Business, adjusted in the Restricted Rate calculation? - **Yes**
11. Are unused leave payments charged directly to federal awards? – **No**
12. Are all building related expenditures in the direct cost base for calculation of the restricted indirect cost rate? - **Yes**
13. Does the base include only the first \$25,000 of subaward expenditures? – **Yes**
14. Are food costs excluded from the direct cost base as a distorting item? The only allowable costs that may remain in the direct cost base are the cafeteria workers. – **Yes**
15. Are any types of retirement incentives included in the proposal or planned in the next fiscal year? – **Yes**
16. Describe technical assistance, ([2 CFR §200.332 \(e\) \(1\)](#)) workshops, trainings, or opportunities provided to Local Education Agencies to learn more about their responsibilities as it pertains to indirect costs. **We offer training and technical**

## Profile of Local Education Agencies

### New Hampshire State Department of Education

**assistance several times a year through both e-mails and webinars in conjunction with NHASBO. NH Association of Business Officials**

**17. Describe the plan for monitoring indirect cost rates (frequency and procedures)? NHED reviews federal grants in Grants Management System before closing to ensure that district did not exceed the approved ID cost expenditure level based on the approved rate and final amount expended in grant.**

**18. Delegation agreement expiration date? <June, 30, 2022> If your plan is expired, have you contacted the United States Department of Education's Indirect Cost Division to receive technical assistance. -Yes**

**19. How are negotiated indirect cost rates distributed, and what time of the year are they published? Website and Indirect Cost Rate Agreements are e-mailed to LEAs. LEAs are notified on or around April 15<sup>th</sup> of each year for the next fiscal year's rate.**

*State Education Agencies are required to submit a new plan for approval to the United States Department of Education Indirect Cost Division if there are any material changes to the Local Education Agency Delegation Agreement. Material changes consist of the following:*

*Change indirect cost rate structure Fixed to Predetermine*

*Proposed change to classification of costs*