

**R277. Education, Administration.**

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

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

(1) This rule is authorized by:

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

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

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

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

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

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

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

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

(4) "Restricted indirect cost rate" means a rate assigned to each LEA annually based on the ratio of restricted indirect costs to direct costs as reported in the annual financial report for the specific LEA.

(5) "Unallowable costs" mean expenditures directly attributable to governance, including:

(a) salaries;

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

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

(6) "Unrestricted indirect cost rate" means a rate assigned to each LEA annually,

based on the ratio of unrestricted indirect costs to direct costs as reported in the annual financial report for the specific LEA.

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

(1) An LEA may charge indirect costs to state funded programs.

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

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

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

(c) Each program schedule shall include:

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

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

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

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

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

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

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

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

**KEY: education finance**

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

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

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