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## MEMORANDUM

**TO:** Members, Utah State Board of Education

**FROM:** Martell Menlove, Ph.D.  
Chief Executive Officer

**DATE:** June 6, 2014

**INFORMATION:** Indirect Cost Pool

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### **Background:**

In the May Finance Committee, explanation of the indirect cost pool was requested. Specific information about the Utah State Office of Rehabilitation and its contribution to the indirect cost pool was also requested.

### **Key Points:**

"Indirect Costs" are those that have been incurred for common or joint purposes. These costs benefit more than one cost objective (e.g. federal award, state project or activity) and cannot be readily and specifically identified with a particular final cost objective without effort disproportionate to the results achieved. Indirect costs include (a) the indirect costs originating in each department or agency of the governmental unit carrying out federal awards and (b) the costs of central service cost allocation plan not otherwise treated as direct costs.

By participating in indirect costs with the Department of Education, states can allocate some indirect costs to federal awards on a proportionate basis that otherwise could not be directly charged to the federal grants.

### **Anticipated Action:**

It is proposed that the Finance Committee review and ask questions about the information provided regarding indirect costs. No action is anticipated.

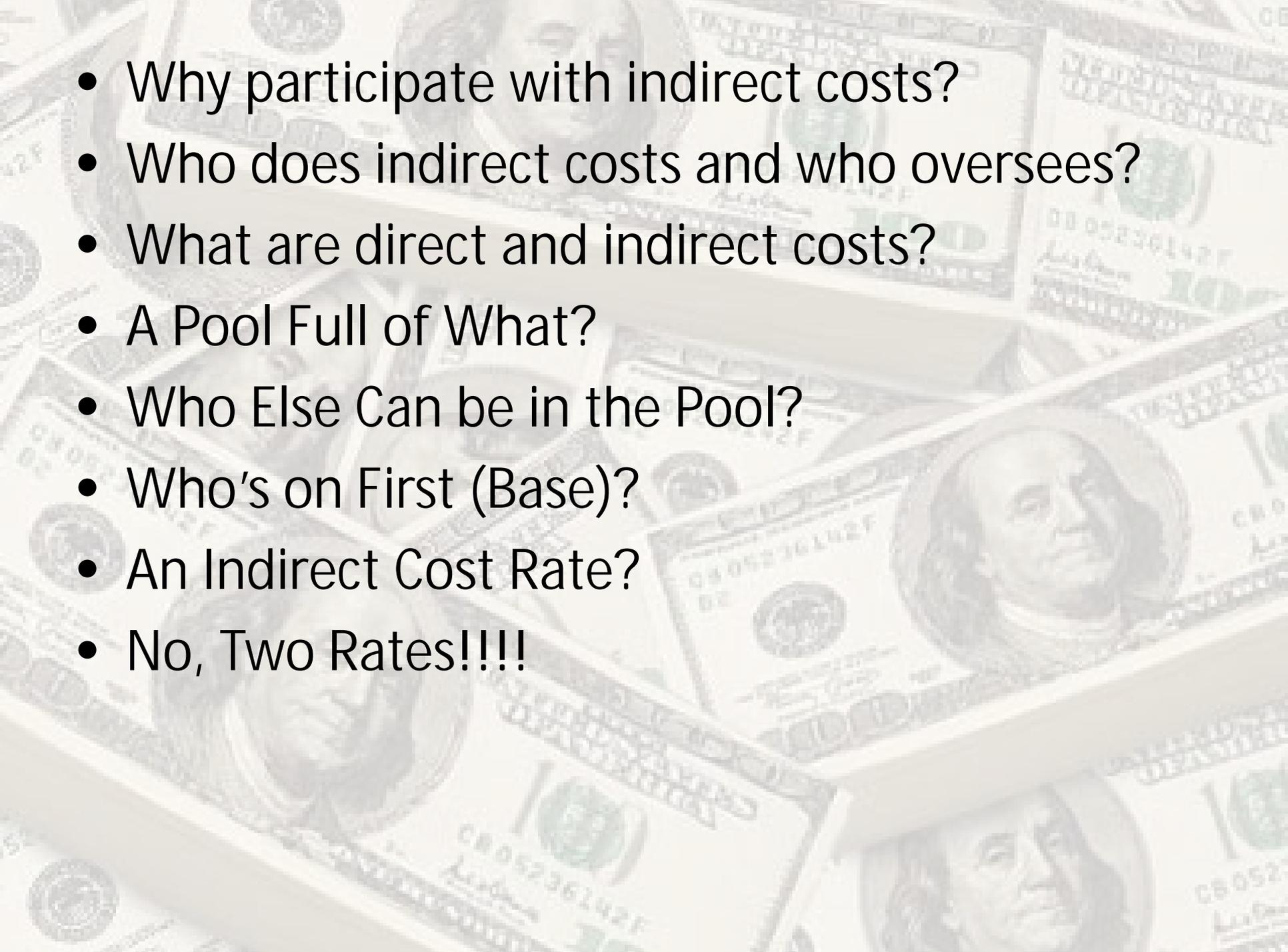
**Contact:** Bruce Williams, Associate Superintendent, 801-538-7514  
Gary Belliston, Director of Internal Accounting, 801-538-7627

<b>Indirect Cost Pool 2007-2013</b>				
Year	Expenditures	USOE Contributions	USOR Contributions	% USOR/ Expenditures
2013	4,856,622	2,440,778	1,789,196	37%
2012	4,569,744	2,300,307	1,807,046	40%
2011	4,499,405	2,457,937	1,851,633	41%
2010	4,543,893	2,569,651	1,798,069	40%
2009	4,899,402	2,797,076	1,834,434	37%
2008	4,465,588	2,676,041	1,521,604	34%
2007	4,322,272	2,618,396	1,663,920	38%

# A Primer on Indirect Costs



## Indirect Costs for Public Education

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- The background of the slide is a collage of US dollar bills, including \$100 and \$20 bills, arranged in a pattern that suggests a pool of money. The bills are slightly faded and overlapping, creating a textured, financial backdrop for the text.
- Why participate with indirect costs?
  - Who does indirect costs and who oversees?
  - What are direct and indirect costs?
  - A Pool Full of What?
  - Who Else Can be in the Pool?
  - Who's on First (Base)?
  - An Indirect Cost Rate?
  - No, Two Rates!!!!

# Definition

- Indirect costs are real costs incurred by organizations in support of sponsored activities but cannot be directly identified with a specific grant or contract. The costs results from shared services such as utility costs, building maintenance, administrative expenses, and depreciations for building and equipment. The costs are real.

# Why do Indirect Costs?

So the Federal Government provides funds to USOE and USOR





Department of  
Education  
oversees  
USOE/USOR  
indirect costs

It oversees the Department/Office of  
Education for the States and Territories



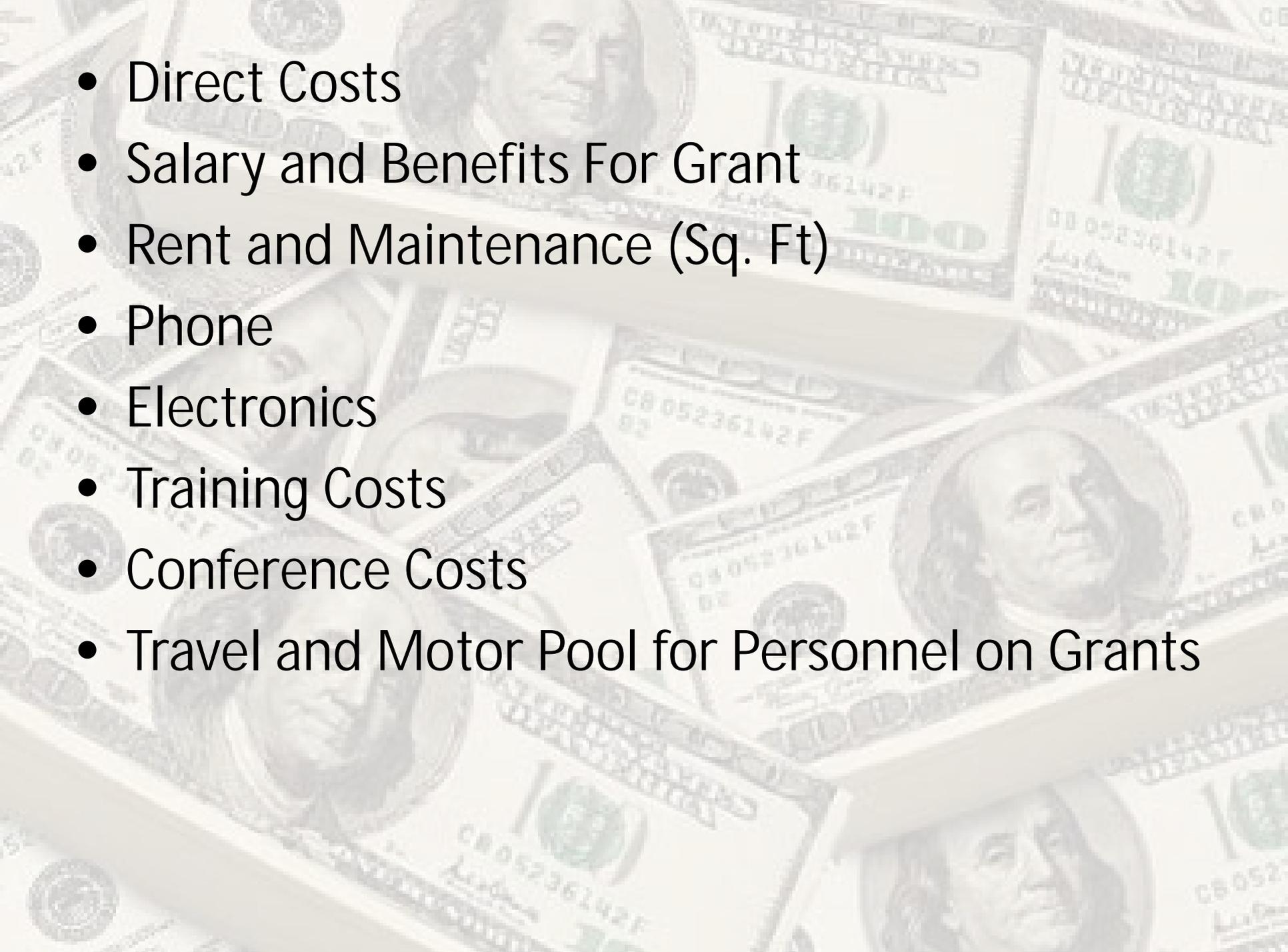
- Direct and Indirect Costs – Direct Costs

1 Hour	1 Hour	1 Hour	1 Hour
1 Hour	1 Hour	1 Hour	1 Hour
1 Hour	1 Hour	1 Hour	1 Hour

			1
1	1	1	1

1			1



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- The background of the slide is a collage of US dollar bills, including \$100 and \$20 bills, arranged in a pattern that suggests a stack or a collection of money. The bills are slightly faded and overlaid with the text.
- Direct Costs
  - Salary and Benefits For Grant
  - Rent and Maintenance (Sq. Ft)
  - Phone
  - Electronics
  - Training Costs
  - Conference Costs
  - Travel and Motor Pool for Personnel on Grants

- Direct and Indirect Costs – Indirect Costs

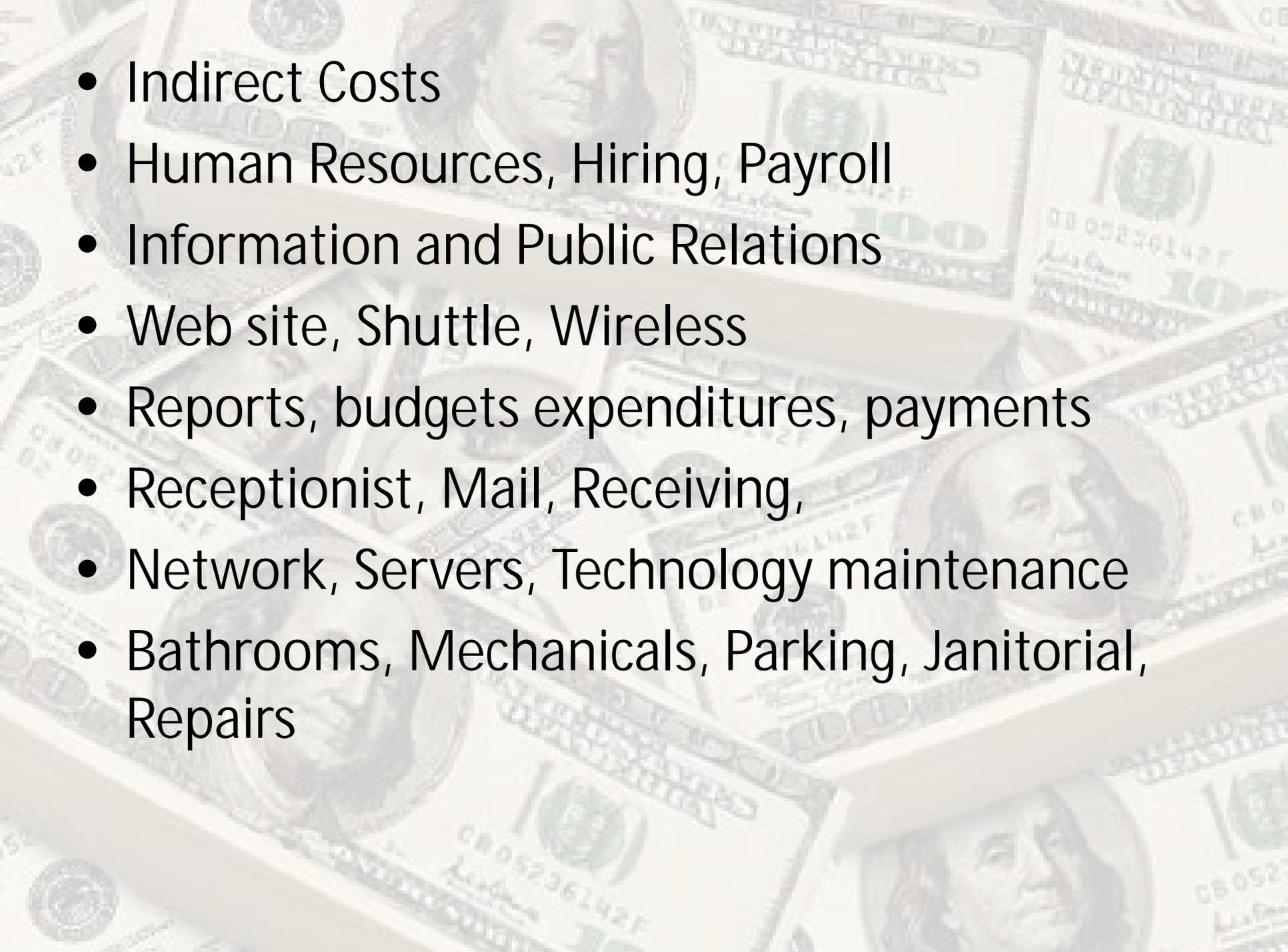
1 Min	2 Min	1 Min	3 Min
1 Hour on Both			
1 Hour on Both	6 Min	4 Min	15 Min

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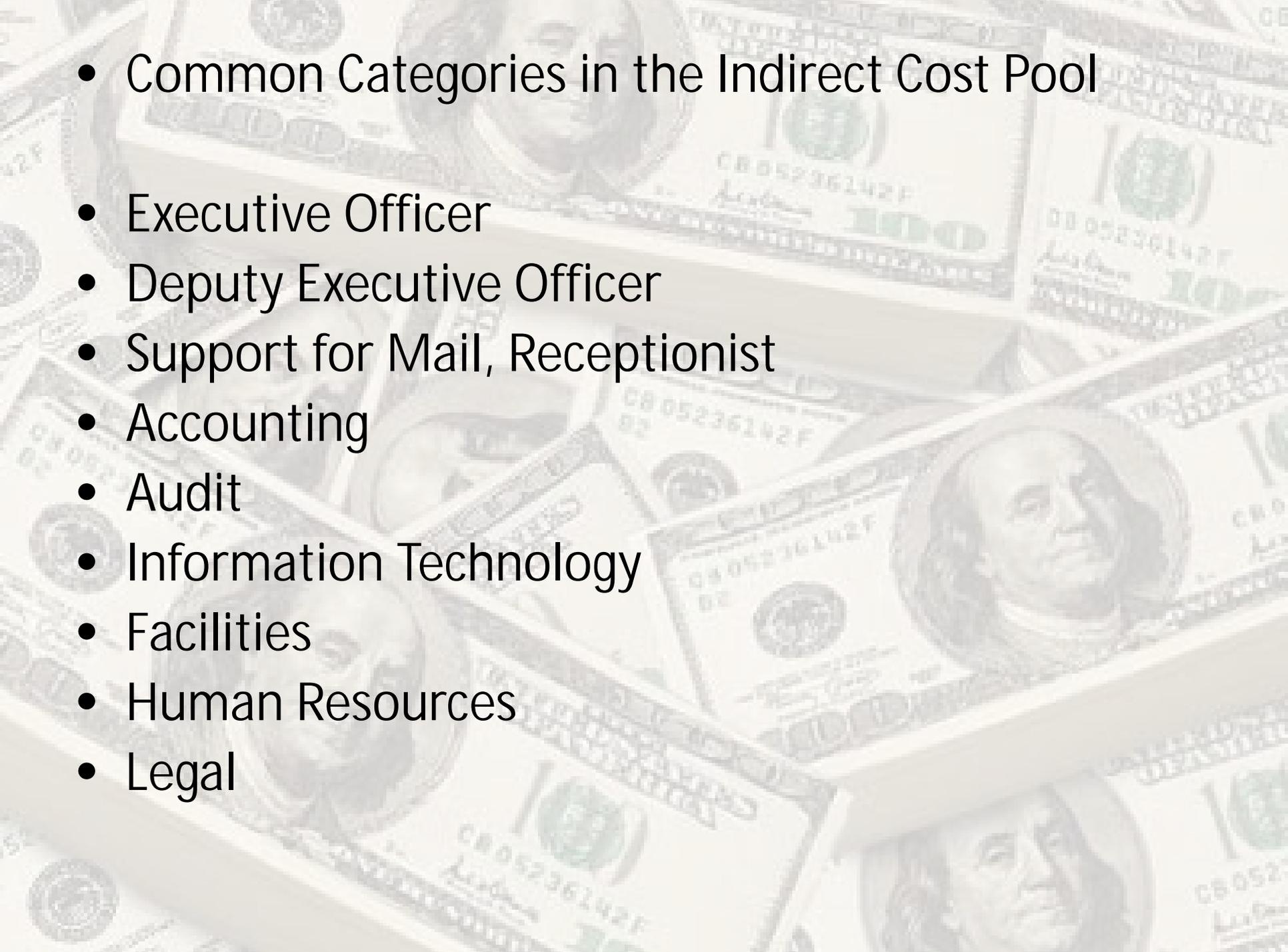
2	1	3	1

1			.5



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- The background of the slide is a collage of US dollar bills, including \$100 and \$20 bills, arranged in a pattern that suggests a stack or a collection of money. The bills are slightly faded and overlapping, creating a textured, financial backdrop for the text.
- Indirect Costs
  - Human Resources, Hiring, Payroll
  - Information and Public Relations
  - Web site, Shuttle, Wireless
  - Reports, budgets expenditures, payments
  - Receptionist, Mail, Receiving,
  - Network, Servers, Technology maintenance
  - Bathrooms, Mechanicals, Parking, Janitorial, Repairs



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- Common Categories in the Indirect Cost Pool
  - Executive Officer
  - Deputy Executive Officer
  - Support for Mail, Receptionist
  - Accounting
  - Audit
  - Information Technology
  - Facilities
  - Human Resources
  - Legal

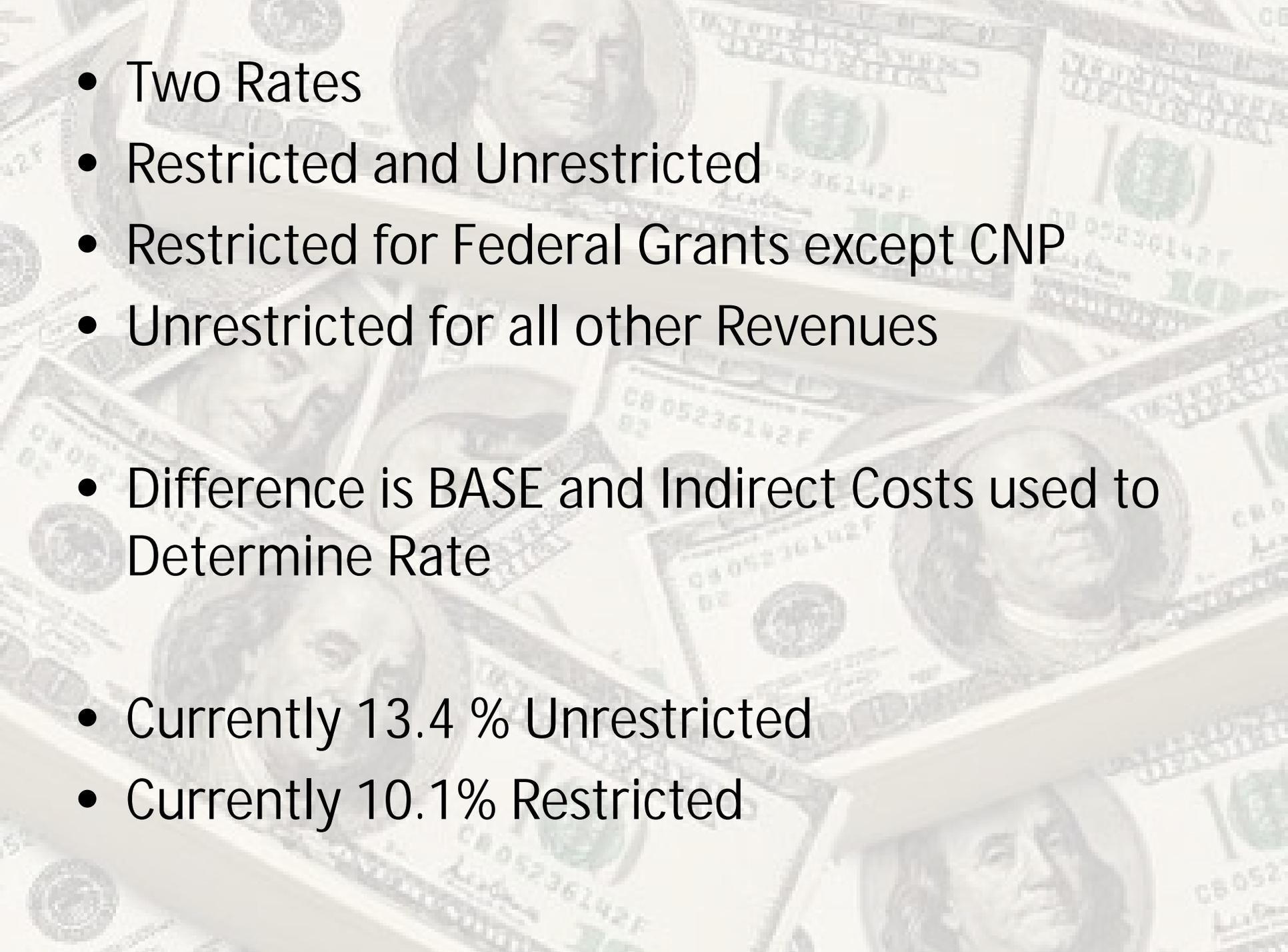
- Base

$$\frac{\text{All Indirect Costs (pool)}}{\text{All Direct Costs (base)}} = \text{Indirect Cost Rate (\%)}$$

- Base includes Salaries and Benefits
- Current Expense
- Base excludes – Flow through amounts  
(Payments to LEAs, Clients)
- Capital Items



Year	Restricted	Unrestricted
2015	8.0	11.8
2014	10.1	13.4
2013	9.4	12.3
2012	8.0	12.8
2011	9.3	12.9
2010	10.8	13.4
2009	9.7	13.9
2008	10.8	13.5
2007	12.8	16.3
2006	12.6	15.1
2005	13.5	16.0
2004	11.1	14.9
2003	11.1	14.9
2002	11.1	14.9
2001	10.0	17.5
2000	10.0	17.5
1999	10.0	17.5
1998	10.0	18.0
1997	10.0	18.0
1996	10.0	18.0
1995	10.0	18.0
1994	10.0	18.0
1993	7.4	18.1
1992	7.4	18.1

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- The background of the slide is a collage of US dollar bills, including \$100 and \$20 bills, arranged in a pattern that creates a sense of depth and movement. The bills are slightly faded and overlaid with the text.
- Two Rates
  - Restricted and Unrestricted
  - Restricted for Federal Grants except CNP
  - Unrestricted for all other Revenues
  
  - Difference is BASE and Indirect Costs used to Determine Rate
  
  - Currently 13.4 % Unrestricted
  - Currently 10.1% Restricted

- Questions--

