Draft 1
August 24, 2026

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)(a) Modified Total Direct Costs or “MTDC” means:

(i) all direct salaries and wages;

(ii) applicable fringe benefits;

(iii) materials and supplies;

(iv) services;

(v) travel; and

(vi) up to the first $50,000 of each subaward.

(b) MTDC excludes:

(i) equipment;

(ii) capital expenditures;

(iii) charges for patient care;

(iv) rental costs;

(v) tuition remission;

(vi) scholarships and fellowships;

(vii) participant supports costs; and

(viii) the portion of each subaward in excess of $50,000.

([4]5) "Regional education service agency" or "RESA" the same as that term is defined in Section 53G-4-410.

([~~5~~]6) "Restricted indirect cost rate" means:

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

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

(7)(a) “Subaward” means an award to a subrecipient for the subrecipient to carry out part of an award received by the pass-through entity.

(b) A “subaward” may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.

([~~6~~]8) "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.~~] that are prohibited under federal or state costs principles from being charged as either direct or indirect costs to any public award as outlined in 2 C.F.R. Part 200, Subpart E, including:

(a) expenditures of the office of the district superintendent or governing board;

(b) election expenses;

(c) bad debts;

(d) fundraising;

(e) lobbying;

(f) alcoholic beverages;

(g) entertainment expenses; and

(h) costs of prosecutorial activities unless treated as a direct for a specific state program if authorized by statute or regulation.

([~~7~~]9) "Unrestricted indirect cost rate" means:

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

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

R277-424-3. Standards.

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

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

(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 or RESA may recover indirect costs if funds are available.

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

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

([~~d~~]c) If an LEA or RESA elects to recover indirect costs, the LEA or RESA shall use the annual rates negotiated by the Superintendent for applicable federal and state programs.

(d) The Superintendent shall calculate the negotiated rates described in Subsection (4)(c) using annual financial information submitted in LEA Annual Financial Reports and audited financial statements.

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

(b) The Superintendent shall apply the indirect cost rate to the [~~amount expended, not to the total grant,~~] MDTC base expended under the program rather than the total grant award to determine the [~~amount for~~] allowable recovery of indirect costs.

KEY: education finance
Date of Last Change: January 11, 2022
Notice of Continuation: November 5, 2021
Authorizing, and Implemented or Interpreted Law: Art X Sec 3; 53E-3-501(1)(e); 53E-3-401(4)