
Procedure 910 Program Cost Accounting

Program cost accounting provides a standardized method of identifying all costs of a particular program, including its instructional, support, and central administration costs. Such cost identification is integral to a meaningful cost-reporting system for use by state and local decision makers in assessing the fiscal impact of programs and projects.

In the standardized account code structure (SACS), the **goal field** provides the framework for program cost accounting. Throughout this section, the terms *goal* and *program* are virtually interchangeable.

Direct-Charged Versus Allocated Costs

When costs are being assigned to programs, many costs are easily identifiable with a specific program and can be charged to that program's goal at the time of expenditure, especially costs that apply to a single program (e.g., an elementary classroom teacher's salary). But certain types of costs, such as **support services**, are often harder to identify with an individual program. LEAs may accumulate these costs in an "undistributed" cost pool (**Goal 0000**) for later distribution to programs.

Costs may be charged to a program using two methods:

- **Direct-Charged Costs.** Costs that are charged to a program at the time of expenditure or that are distributed from Goal 0000 to the program on the basis of specific documentation (e.g., time sheets or work orders) are referred to as *direct-charged costs*.
- **Allocated Costs.** Costs that are accumulated in a Goal 0000 cost pool and are subsequently distributed to programs on the basis of standard allocation factors (full-time-equivalents, classroom units, or pupils transported) are referred to as *allocated costs*. This usually applies to costs of support-type activities, such as instructional or school administration, pupil transportation, and plant maintenance and operations.

Although not required, LEAs may distribute the allocated costs to program goals in their general ledgers. *Note:* For statewide reporting and comparisons of LEA program cost data, Goal 0000 costs will be distributed to programs based on LEA-supplied allocation factors (see "Allocating Support Costs Using Allocation Factors," page 910-5).



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Categories of Costs

Identifying costs for program cost accounting follows a stair-step model, starting with those closest to the classroom. The categories of costs are as follows:

- Instructional costs
- Support costs
- Central administration costs
- Other costs

Instructional costs relate directly to instructional programs. Examples include the salaries and benefits of teachers and instructional aides, payments for textbooks and instructional supplies, travel and conference expenses for all employees in the instructional programs, and payments for the repair, maintenance, acquisition, and replacement of instructional equipment. **Instructional costs are always direct-charged to a specific goal.**

Support costs relate to the peripheral services necessary to maintain the instructional programs, including supervision of instruction, library, classroom technology, school administration, pupil support services, plant maintenance and operations, facilities rentals and leases, and pupil transportation. **Support costs may be direct-charged to a goal if proper documentation exists; but, more commonly, they are accumulated in Goal 0000, Undistributed, and subsequently allocated to programs on the basis of standardized program cost allocation factors.**

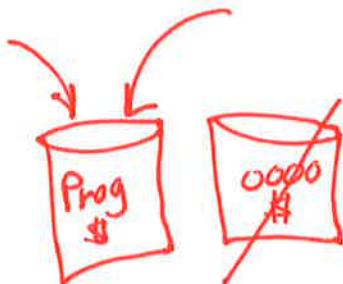
Central administration costs are farthest removed from the classroom but are still necessary for programs to operate. **These agencywide costs, including budgeting, personnel, accounting, centralized data processing, school board, and superintendent, are collected in Goal 0000, Undistributed, and then distributed proportionately to all programs on the basis of a central administrative ratio (percentage).**

Other costs, such as debt service, transfers between agencies, and facilities acquisition and construction, are not associated with individual programs for cost accounting purposes.

Each category of costs is necessary for instructional programs to exist and therefore should be considered when total program costs are identified. The following pages include explanations of the different cost categories and any steps necessary to distribute the costs to specific programs.

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Instructional Costs



Instructional costs are identifiable with a specific goal indicating the instructional setting or group of students receiving the services. Instructional costs must always be direct-charged to a specific goal. Expenditures in the instructional functions (1000s), ancillary functions (4000s), and community service functions (5000s) are always classified as an instructional cost and must always be direct-charged to a specific goal.

Charging costs directly to a goal requires consistent and verifiable supporting documentation that indicates how the costs relate to the goal. Examples of supporting documentation for charging salaries and wages to a specific goal include identification with a position in the personnel/payroll system, time sheet information, language in a contract, or a class schedule with assigned student enrollment (see “Documenting State Salaries and Wages to a Goal,” page 905-16).

Support Costs



Support costs are costs of activities conducted in support of instructional programs. They are typically charged to a common pool of costs by using Goal 0000, Undistributed, or Goal 9000, Other Local Goals. (For ease in reading the remainder of this section, goals 0000 and 9000 are intended whenever Goal 0000 is referenced.) Support costs may be direct-charged to a specific goal at the time of expenditure or may be subsequently transferred to a specific goal, provided that sufficient documentation exists (see “Documenting State Salaries and Wages to a Goal,” page 905-16, and “Documenting Nonpersonnel Costs to a Goal,” page 910-10). Before total program costs can be determined, any costs remaining in the “undistributed” goal must be allocated to the LEA’s programs.

Costs in the following support functions may be accumulated in Goal 0000:

- Instruction-Related Services (functions 2000–2999)
- Pupil Services (functions 3000–3999, except 3700)
- Plant Services (functions 8000–8999, except 8500)

To provide consistent, comparable LEA program cost information, a specific allocation methodology is used to distribute support costs remaining in Goal 0000. (See “Allocating Support Costs Using Allocation Factors,” page 910-5.) Use of this allocated method provides a systematic way of distributing costs from Goal 0000 to programs without requiring

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the supporting documentation needed when the documented method is used.

Central Administration Costs

Central administration costs (CACs) are those business and administrative costs that are agencywide (e.g., accounting, budgeting, personnel, purchasing). CAC functions include:

- Board and Superintendent (functions 7100–7180)
- External Financial Audit (functions 7190–7191)
- Other General Administration (functions 7200–7600)
- Centralized Data Processing (Function 7700)

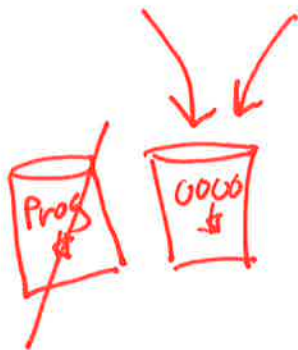
Because of the agencywide nature of central administration costs, they are neither documented to specific goals nor allocated using the factors. Rather, they are accumulated in CAC functions using Goal 0000, Undistributed, and then proportionately distributed to each program on the basis of a central administrative cost ratio.

It should be noted that central administration costs in program cost accounting are similar, but not identical, to the indirect cost pool used for calculation of the indirect cost rate. Differences include (1) counting board and superintendent costs in the CAC pool for program cost accounting but excluding it from the indirect cost pool; (2) including a minor portion of administrative maintenance and operations costs in the indirect cost pool but not in the CAC for program cost accounting; and (3) including all types of external financial audits in the CAC pool for program cost accounting but only single audit costs in the indirect cost pool.

The CAC ratio, expressed as a percentage, represents total central administration costs divided by direct-charged and allocated costs from all funds that historically benefit from the administrative services. The resulting ratio, or percentage, can then be multiplied by a program's total direct-charged and allocated costs to arrive at the amount of central administration costs applicable to that program.

Other Costs

Other costs refers to those costs that are not associated with a specific goal. They include the food service, enterprise, facilities acquisition and construction, and other outgo functions. For purposes of program cost



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accounting, these costs are kept separate, even if the agency direct-charges the costs to a specific goal in its accounting records.

Allocating Support Costs Using Allocation Factors

The benefit provided to instructional programs by a support service function varies with the type of support provided. The benefit to programs from certain support services varies in relation to the number of instructional staff receiving the support. The benefit to programs from other support services varies in relation to the amount of space occupied by the instructional program or the number of students being served.

Three cost allocation factors provide the basis for allocating to programs the different types of support service costs:

1. Full-Time-Equivalent Teachers (FTEs)
2. Classroom Units (CUs)
3. Pupils Transported (PTs)

Through a determination of the counts of each factor by program, Goal 0000 costs can be proportionately distributed to each goal.

Allocation Factors



Details:

Full-Time-Equivalent (FTE) Teachers

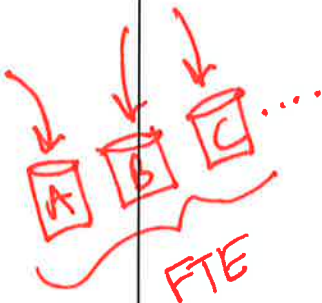
Definition: The full-time-equivalent (FTE) teacher allocation factor is the number of full-time-equivalent teachers serving (assigned) in each instructional program (goal). An assignment is a specific responsibility, classroom assignment, or course section taught.

Teachers or assistant teachers (certificated or classified) should be included in the FTE count if they carry active student registers and their services generate average daily attendance (ADA). Certificated and classified employees providing special education designated instruction services and carrying active student registers should also be included in the FTE count.

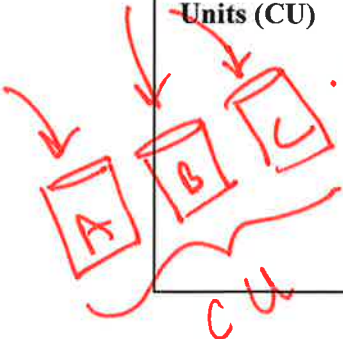
Full-time equivalency is determined on the basis of the number of hours (i.e., of actual instruction of students) that constitutes a full-time teaching assignment for the agency. Taking the ratio of assignment hours to the number of hours that constitutes a full-time assignment calculates the FTE.

The four common categories for assignments are:

1. *Single assignment:* A full-time teacher assigned to a single goal is counted as

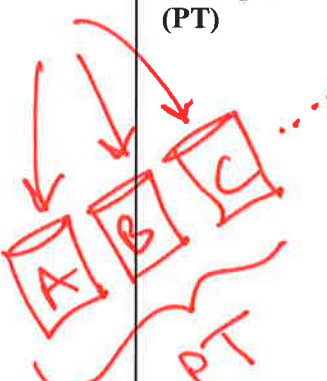


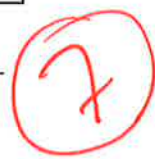
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	<p>1.0 FTE for that goal.</p> <p>2. <i>Split assignment:</i> A full-time teacher assigned to two or more goals is split between the goals on the basis of the proportionate share of hours in each assignment. For purposes of determining the number of FTEs to be allocated to each assignment, preparation periods, supervision, noon duty, individualized educational program (IEP) assessments, and other ancillary assignments are to be disregarded in the FTE calculation. Study halls are considered a regular class assignment.</p> <p>3. <i>Semester assignment:</i> A full-time teacher assigned to programs of one semester or less is counted as a 0.5 FTE. Full-time teachers assigned to programs of more than one semester are counted as 1 FTE.</p> <p>4. <i>Part-time assignment:</i> Prorate, using the preceding basic definition. For example, a teacher instructing in a program on a one-fourth time basis would be counted as a .25 FTE.</p> <p>Totaling the computed number of FTE teacher units determines the FTE teacher count for each instructional goal. If applicable, FTE teacher counts may also be calculated for the community services and child care and development services goals.</p> <p>Include in the count those teachers who are assigned to programs operated in the district but who are not employed by the district (e.g., those in special education or regional occupational center/program classes in which the teachers are paid by the county office). These FTE counts are to be recorded in the nonagency activities educational program.</p> <p>For consistency, the FTE teacher count may be developed at any time after classes have been established for the second semester. In a large district, an efficient way to compile the total FTE units may be to have each administrator complete a count and then to combine the information into a composite worksheet. Care must be taken to ensure that more than one site administrator does not report the same FTE units.</p> <p>FTE Functions: FTE factors are used to allocate costs in instruction-related functions (2100, 2420, 2490, and 2700) and pupil services functions (3110, 3120, 3130, 3140, 3150, 3160, and 3900).</p>
<p>Classroom Units (CU)</p> 	<p>Definition: The classroom unit (CU) allocation factor is the number of units of space occupied by each program. The CU provides a method of converting each program's square footage into a standardized allocation factor. Although the term <i>classroom unit</i> was derived from using an "average" classroom as the basis for the measurement, all types of space are included in the CU count, not just classrooms.</p> <p>When calculating CUs, count space that is occupied by an identifiable function or activity. If multiple programs share an area, the CU is allocated to each program on the basis of the percentage of hours the room is used by each program. Report noninstructional programs that occupy space in district administration facilities as part</p>



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	<p>of the district administration program.</p> <p>Common-use areas are considered to benefit all programs and are not included in the calculation of CUs. They include areas such as school offices, media centers, libraries, corridors, restrooms, faculty rooms, unoccupied rooms, and outdoor areas (swimming pools, ball fields).</p> <p><i>Instruction and office areas.</i> For “people-occupied” areas, such as instruction or office space, a room that falls within the general range of 800 to 1,100 square feet counts as one (1.0) CU. Areas that fall outside this range are converted to CUs by dividing the actual square footage by 960, which is the size of a typical classroom. For example, a room occupying 1,200 square feet is 1.25 CU (1,200 divided by 960). Examples of areas converted to CUs by using 960 might include large areas, such as science labs, computer labs, multipurpose rooms, and gymnasiums; small areas, such as cubicles for speech therapy; and agencywide administration facilities.</p> <p><i>Operational areas.</i> Buildings such as maintenance shops, warehouses, and transportation facilities generally require approximately one-third the amount of maintenance and upkeep required for spaces used for students and other services. Convert these operational areas to CUs by dividing square footage by 2,880 (960 x 3). Partially enclosed spaces, such as sheds or patios, may be excluded from the calculation.</p> <p><i>Food services.</i> In the area of food services, only the kitchen and serving areas are counted as CUs. The eating area is considered common space and is omitted from the calculation unless other activities occur in this area. If a multipurpose room is used for part of the day for classes and part of the day as the eating area, the CUs for the portion of the day attributable to classes are assigned to the appropriate program, and the portion attributable to food services is omitted.</p> <p>CU Functions: CU factors are used to allocate costs in the plant services functions (8100 and 8700).</p>
<p>Pupils Transported (PT)</p> 	<p>Definition: The pupils transported (PT) allocation factor is the number of students transported in the year, which is determined by counting the number of students in each program transported from home to school. This factor represents the number of students, not the number of trips.</p> <p>Special education pupils receiving home-to-school transportation may be counted in the special education program only if their IEPs require home-to-school transportation. Otherwise, these children will be counted as regular students. Pupils who receive home-to-school transportation to attend schools <i>other than their neighborhood schools</i> because of requirements of their IEPs should also be counted as special education PTs.</p> <p>PT Function: PT factors are used only to allocate costs in Function 3600, Pupil Transportation.</p>



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Note: Effective 2004–05, the workstation allocation factor used during earlier stages of SACS implementation is no longer a part of program cost accounting. Costs reported in Function 7700, Centralized Data Processing, by definition should be agencywide and are a central administrative cost for program cost reporting and indirect cost purposes. Data processing costs that support instructional programs (e.g., computers in the classroom, instructional computer labs, instructional networks, library computers) should be charged to Function 2420, Instructional Library, Media, and Technology, or Function 1000, Instruction. If all data processing costs are accumulated in Function 7700 (for example, because one data processing person provides technology services for all functions), any instruction-related costs must be reclassified using Object 5710, Transfers of Direct Costs, to Function 2420 or 1000, as appropriate. The amount of instruction-related costs to transfer may be determined by work orders or a count of workstations.

Developing Allocation Factor Counts

Because the allocated method applies to costs that did not qualify to be distributed using the documented method, and the purpose of the allocated method is to distribute Goal 0000 costs in a standardized manner, it is important to compile complete factor counts for each instructional setting operated by the LEA. If a function (or group of functions) has costs in Goal 0000, unless specific exclusion conditions have been met, the factor counts for the function(s) must represent all programs operated by the LEA.

For each type of factor, the count should represent a point-in-time to prevent double counting. For instance, if FTE teacher counts were taken for some programs in the fall and for others in the spring, teachers who were reassigned in the interim could be inadvertently counted in more than one program.

Factor counts (FTE, CU, or PT) should be taken at a time that best represents each factor and that can correspond with other uses of the same factor, such as pupil transportation counts taken for reports on the transportation program.

How to do it:



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Excluding Factors from the Count

The allocated method of distributing support costs is based on the premise that all programs benefit to some degree from the services provided by the support programs. If a program does not benefit from a support service program or if the program has already been direct-charged for its share of the support service costs, the specific factor count (FTE, CU, PT) that corresponds to the nonbenefiting program is to be excluded (subtracted) from the factor count for that program. For example, if the Continuation Schools program was already direct-charged for costs of school administration, or if it did not benefit at all from the Goal 0000 school administration costs, then the FTE count for the Continuation Schools program would be excluded under the school administration function.

Excluding factors from the count is an exception to the standardized allocation process and requires documentation to substantiate the exclusion. If an instructional program did not benefit from the services of a support program and is being excluded from a factor count, both the instructional program administrator and the administrator of the support service program should confirm the exclusion. If the exclusion is being made because the instructional program has already been direct-charged for a particular support service cost, documentation verifying the exclusion should be kept as backup to the count of allocation factors.

Transferring Allocated Costs

Once allocation factors have been calculated, the allocated support costs can be distributed from Goal 0000, Undistributed, to each benefiting program as part of the program cost report process. LEAs are not required to record this transfer of allocated costs in their accounting ledgers.

For those LEAs that choose to record the distribution of these costs, the following is an example where total Goal 0000 costs in Function 3140, Health Services, are distributed to specific goals on the basis of the number of FTE teachers in each instructional goal. A ratio for each instructional setting is determined by dividing the total FTEs in each goal by the total of all FTEs. In this example, this ratio is then applied to the costs in Function 3140, Health Services, and the prorated costs are distributed using Object 5710, Transfers of Direct Costs. (Note: The schedule of allocated costs in the program cost report shows, by goal, the amount of support costs allocated to each program. LEAs may wish to use the figures provided by their completed program cost report as the basis for their accounting entries.)

Exclude if
(a) doesn't benefit, or
(b) direct-charged

Optional

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Dr	01-0000-0-1110-3140-5710	\$500,000	Regular Ed, K-12
Dr	01-0000-0-6000-3140-5710	\$100,000	ROCP
Dr	01-0000-0-3200-3140-5710	\$100,000	Continuation Schools
Dr	01-0000-0-5001-3140-5710	\$150,000	Special Education
Cr	01-0000-0-0000-3140-5710	\$850,000	Undistributed

In the example, costs have been credited to Goal 0000, Undistributed, and debited to specific goals but not to specific resources, which matches the level of detail in the program cost report.

Documenting Salaries and Wages to a Goal

Salaries and wages charged to a specific goal require supporting documentation indicating how the costs relate to the goal. For federal funds or state restricted funds, personnel activity reports, activity worksheets, or equivalent documentation are generally necessary. For state unrestricted funds charged to a specific goal, a reduced level of documentation may be allowable as long as it is consistent and verifiable, such as costs documented to a goal by identification with a position in the personnel/payroll system, an individual's contract, or a class schedule with assigned student enrollment.

For a complete discussion of salary and wage documentation requirements, see Procedure 905.

If supporting documentation is not available for support costs charged to activities (functions) other than instruction, ancillary services, and community services, the costs should be charged to Goal 0000, Undistributed, and subsequently distributed to specific goals on the basis of appropriate program cost allocation factors (see "Allocating Support Costs Using Allocation Factors," page 910-5).

How to document Salaries.

Documenting Nonpersonnel Costs to a Goal

Nonpersonnel costs charged to a specific goal should be substantiated by documentation that identifies the program(s) that received the service, supply, or equipment. The dated signature of a program administrator on a tracking document acknowledging receipt of the service, supply, or equipment is usually sufficient to validate the charge.

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Program Cost Reporting

Reporting program costs to CDE involves a series of worksheets that use general ledger data from the general fund and the charter schools funds, by goal and function, plus allocation factors (FTEs, CUs, PTs) for the distribution of support costs to specific goals. These worksheets are largely automated in the SACS financial data collection software.

The following is a brief description of each worksheet:

DCC*
PCRAF**
AC*
CAC*
OC*
PCR*

- **Schedule of Direct-Charged Costs:** Summarizes, by goal and function, costs direct-charged to a goal.
- **Schedule of Allocation Factors for Support Costs:** Provides for entering allocation factors (full-time-equivalent teachers, classroom units, pupils transported) by goal for functions with costs in Goal 0000, Undistributed, or Goal 9000, Other Local Goals. The factors entered provide the basis for allocating support costs to programs.
- **Schedule of Allocated Support Costs:** Uses information from the allocation factor worksheet to assign a proportionate share of costs in goals 0000 and 9000 to each goal that has factors.
- **Schedule of Central Administration Costs:** Summarizes central administration costs (CACs) and shows the ratio, expressed as a percentage, of CAC costs to non central administration costs. This CAC ratio is similar but not identical to an LEA's indirect cost rate (see Procedure 915).
- **Schedule of Other Costs:** Summarizes food service, enterprise, facilities acquisition and construction, and other outgo function costs, which for program cost accounting purposes are not associated with a particular goal.
- **The Program Cost Report:** Compiles information from the previous schedules to display total costs from the general fund and charter schools funds by goal and category (e.g., direct-charged, allocated support, central administration). Also includes an "other costs" section.

* SACS "Forms", "supplementals", "PCR"
* SACS "Forms", "supplementals", "PCRAF"

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Function Code Details

Summary of Program Cost Guidelines

The following are summarized guidelines that show for each group of functions the program cost category, guidelines for charging to goals, and program cost allocation rules.

Function and Title

1000–1999 Instruction

- Direct instructional cost.
- Must be direct-charged to a specific goal; may not be charged to Goal 0000, Undistributed; Special Education instruction functions may not be charged to Goal 5001, Special Education—Unspecified.
- Costs may not be allocated.

2100–2999 Instruction-Related Services

2100 Supervision of Instruction

2420 Instructional Library, Media, and Technology

2490 Other Instructional Resources

- Support cost.
- May be direct-charged to a specific goal when documentation exists; or may be accumulated in Goal 0000, Undistributed.
- May be reclassified to a specific goal or more appropriate function when documentation exists.
- Allocation basis is FTE (full-time-equivalent teachers).

2700 School Administration

- Support cost.
- May be direct-charged to a specific goal when documentation exists and the school site offers only one type of program; or may be accumulated in Goal 0000, Undistributed.
- Allocation basis is FTE (full-time-equivalent teachers).

3000–3999 Pupil Services

3110 Guidance and Counseling Services

3120 Psychological Services

3130 Attendance and Social Work Services

3140 Health Services

3150 Speech Pathology and Audiology Services

3160 Pupil Testing Services

- Support cost.
- May be direct-charged to a specific goal when documentation exists; or may be accumulated in Goal 0000, Undistributed.

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Function and Title

- May be reclassified to a specific goal or more appropriate function when documentation exists.
- Allocation basis is FTE (full-time-equivalent teachers).

3600 Pupil Transportation

- Support cost.
- May be direct-charged to a specific goal when documentation exists; or may be accumulated in Goal 0000, Undistributed.
- May be reclassified to a specific goal or more appropriate function when documentation exists.
- Allocation basis is PT (pupils transported).

3700 Food Services

- Other cost (not associated with a particular goal for program cost accounting).
- Generally direct-charged to a specific goal if proper documentation exists; otherwise, costs are accumulated in Goal 0000, Undistributed.
- Costs may not be allocated.

3900 Other Pupil Services

- Support cost.
- May be direct-charged to a specific goal when documentation exists; or may be accumulated in Goal 0000, Undistributed.
- May be reclassified to a specific goal or more appropriate function when documentation exists.
- Allocation basis is FTE (full-time-equivalent teachers).

4000–4999 Ancillary Services

- Direct instructional cost.
- Must be direct-charged to one of the following goals: 1110–Regular Education; 3100–Alternative Schools; 3200–Continuation Schools; 3400–Opportunity Schools; 3700–Specialized Secondary Programs; 7100–Nonagency.
- Costs may not be allocated.

5000–5999 Community Services

- Direct instructional cost.
- Must be direct-charged to one of the following goals: 7100–Nonagency; 8100–Community Services; 8500–Child Care and Development Services.
- Costs may not be allocated.

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Function and Title

6000–6999 Enterprise

- Other cost (not associated with a particular goal for program cost accounting).
- Costs are accumulated in Goal 0000, Undistributed.
- Costs may not be allocated.

7000–7999 General Administration

7100 Board and Superintendent

7190 External Financial Audit—Single Audit

7191 External Financial Audit—Other

7200 Other General Administration

7700 Centralized Data Processing

- Central administration cost.
- Generally accumulated in Goal 0000, Undistributed.
- Distributed proportionately to programs on the basis of the total amount of direct costs (i.e., direct-charged together with allocated) in each goal.

8000–8999 Plant Services

8100 Plant Maintenance and Operations

8700 Facilities Rents and Leases

- Support cost.
- May be direct-charged to a specific goal when documentation exists; or may be accumulated in Goal 0000, Undistributed.
- May be reclassified to a specific goal or more appropriate function when documentation exists.
- Allocation basis is CU (classroom units).

8500 Facilities Acquisition and Construction

- Other cost (not associated with a particular goal for program cost accounting).
- Generally accumulated in Goal 0000, Undistributed.
- Costs may not be allocated.

9000–9999 Other Outgo

9100 Debt Service

9200 Transfers Between Agencies

9300 Interfund Transfers

- Other cost (not associated with a particular goal for program cost accounting).
- Generally accumulated in Goal 0000, Undistributed.
- Costs may not be allocated.