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SUPERINTENDENT OF PUBLIC INSTRUCTION

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BULLETIN NO. 61-03 BUDGET AND SCHOOL BUSINESS SERVICES LEARNING AND TEACHING

TO: Educational Service District Superintendents
Chief School District Administrators
Assistant Superintendents for Business and/or Business Managers
Title I Program Directors

FROM: Dr. Terry Bergeson, State Superintendent of Public Instruction

RE: Consolidating Administrative Funds Under NCLB

INTRODUCTION

This bulletin provides guidance to districts wishing to consolidate administrative funds under Section 9203(b) of the ESEA No Child Left Behind Act (NCLB). Districts wishing to consolidate administrative funds beginning with fiscal year 2003-04 must receive prior approval from the Office of Superintendent of Public Instruction (OSPI).

In consultation with U.S. Department of Education and OSPI federal program, fiscal, and audit resolution staff, and in collaboration with school districts, we are providing the following guidance for consolidating administrative funds under NCLB.

We have included Attachment A: Application for Consolidating Administrative Funding with this bulletin for your reference. *For districts requesting approval to consolidate administrative funds under NCLB, the application and approval process will be included in the iGrants system.*

We are also providing the following guidance in the form of 'Questions and Answers'.

1. Can a school district consolidate administrative funds under the NCLB?

Yes. However, when consolidating funds, districts must request approval from OSPI during their annual application process beginning with fiscal year 2003-04.

2. What is the process to request consolidating administrative funds?

The request to consolidated administrative funds will be completed as part of the districts annual *iGrants* application submission.

3. Is there a cap on Local Educational Agency total administrative costs?

Except for the 2% cap on administrative costs for Title III formula grants ((Sec. 3115(b)) and Title IV, Part A, Safe and Drug Free Schools (Sec. 4114), administrative expenditures are limited only to those expenditures which are reasonable and necessary for the proper and efficient administration of the program. Districts should carefully review their budgeted administrative expenses to ensure that planned activities comply with these requirements.

4. What constitutes administrative costs?

Administrative costs are the sum of direct administrative costs plus indirect costs.

Direct administrative costs
+ Indirect costs
= Total administrative costs

5. What is the definition of administrative costs?

The NCLB does not provide a clear definition. In the absence of a formal definition from the U.S. Department of Education, OSPI is providing the following guidance.

Generally, direct services to students, school staff, parents/families, and the community that fulfill the program requirements of the NCLB are considered to be program costs.

In addition to indirect costs, district-wide management, program coordination, and office management functions are generally considered administrative activities. Specific examples of administrative activities include preparing program plans, preparing and submitting budgets and related amendments, monitoring programs, projects, and sub-recipients and related systems and processes, preparing district-wide reports, and performing services such as accounting, auditing, or legal activities.

6. What if I have total administrative costs that exceed the administrative cap of the program?

According to the Office of Management and Budgets Circular No. A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, amounts not recoverable, as indirect costs or administrative costs under one federal award may not be shifted to another federal award unless specifically authorized by federal legislation or regulation. Therefore, administrative costs related to the program that exceed the cap would have to be covered with nonfederal funds.

Also, a local educational agency that consolidates administrative funds for any fiscal year shall not use any other funds under the programs included in the consolidation for administration for that fiscal year.

7. Does a district have to maintain separate accounting records to account for consolidated administrative funds?

No. A local educational agency that consolidates administrative funds under this section is not required to keep separate records by individual program, to account for costs relating to the administration of the programs included in the consolidation. The district may use any reasonable method to demonstrate how the consolidated funds in the plan have been expended. NCLB consolidated administrative funds lose their specific program identity at the building and may be used for costs in the programs consolidated. Although funds lose their identity when consolidated, they still must be attributed back to a program code regardless of how the service is provided for F-195 budgeting, S-275 personnel reporting, and F-196 annual financial reporting purposes. Districts may want to consider the use of a holding or clearing account *at the district level*. Such an account, comprised of the amounts combined into the consolidated programs at a building would be zeroed out by year-end. Journal vouchers would be needed monthly, quarterly and/or annually to accomplish this.

District-level budgeting and financial reporting to OSPI will not change. Good communication between business managers and program staff is important in the application, budgeting, reporting and accounting process for the consolidated administrative programs.

8. Who makes the final decision as to whether a proposed administrative fee is “reasonable” to cover eligible program administration related costs?

Good practice suggests that every effort be made to reach a consensus between program directors and LEA regarding “reasonable” administration fees.

However, final determination of what constitutes a “reasonable” administration fee is the responsibility of OSPI program directors.

The following NCLB programs may consolidate administrative funds. We have included the program staff, their contact number, email address, and the program CFDA#. Questions should be directed to the person listed for the specific program below:

Title I, Part A, Improving Basic Programs Operated by Local Educational Agencies (LEAs) – Gayle Pauley, 360.725.6100, gpauley@ospi.wednet.edu, CFDA# 84.010

Title I, Part C, Migrant – Richard Gomez, 360.725.6146, rgomez@ospi.wednet.edu, CFDA# 84.011

Title I, Part D, Subpart 2, Prevention and Intervention Programs for Children and Youth Who Are Neglected, Delinquent, or At-Risk – Craig Apperson, 360.725.6056, capperson@ospi.wednet.edu, CFDA# 84.013

Title II, Part A, Teacher and Principal Training and Recruiting Fund – Mary Jo Johnson, 360.725.6340, mjohnson@ospi.wednet.edu, CFDA# 84.367

Title II, Part D, Enhancing Education through Technology (formula part only) – James Smith, 360.725.6235, jsmith@ospi.wednet.edu, CFDA# 84.318

Title III, Language Instruction for Limited English Proficient and Immigrant Students (2% limit for administrative costs, including indirect costs) – Richard Gomez, 360.725.6146, rgomez@ospi.wednet.edu, CFDA# 84.365

Title IV, Part A, Safe and Drug-Free Schools and Communities Program (2% limit for administrative costs, including indirect costs) – Denise Fitch, 360.725.6059, dfitch@ospi.wednet.edu, CFDA# 84.186

Title V, Part A, Innovative Programs – Gayle Pauley, 360.725.6100, gpauley@ospi.wednet.edu, CFDA# 84.298

Title VI, Rural Education Achievement Program – Pris Richardson, 360.725.6225, prichardson@ospi.wednet.edu, CFDA# 84.358

For assistance with fiscal issues, please contact Ron Stead, Director, School Financial Services at 360.725.6302 or rstead@ospi.wednet.edu. Program assistance should be addressed to the individuals listed with the respective programs above.

For assistance with the iGrants process, please contact Pete Bratt at 360.725.6423 or pbratt@ospi.wednet.edu.

This information, along with the application form will also be posted to the OSPI website under the NCLB site.

The agency TTY number is 360.664.3631. This information is also available on the agency website at the following URL: <http://www.k12.wa.us/bulletinsmemos/>.

**BUDGET AND SCHOOL
BUSINESS SERVICES**

Calvin W. Brodie, Director
School Apportionment and
Financial Services

LEARNING AND TEACHING

Mary Alice Heuschel
Deputy Superintendent

Attachment A

**Office of Superintendent of Public Instruction
Application for Consolidating Administrative Funding
School Year 2003-2004
Consolidating Administrative Funds Schedule**

To consolidate administrative funds for the ensuing school year, this schedule must be completed at time of annual application.

An LEA may consolidate administrative funds for any of the fund sources listed below for which the LEA is applying. Except for the 2% cap on the Title III and Title IV, Part A programs, administrative expenditures are limited only to expenditures which are reasonable and necessary for the proper and efficient administration of the program. Consolidated Administrative funds are consolidated at the LEA level, not the building level and are for LEA activities associated with the administration of these programs. If an LEA chooses to consolidate administrative funds for any program, it may not expend additional program funds for administration under the programs included in the consolidation for that fiscal year.

Instructions: Review the guidance below and refer to the *Consolidation of Funds for Local Education Agencies – General Provisions – Questions and Answers* for additional guidance.

Enter an “X” to indicate the fund sources for which the LEA requests to consolidate administrative funds.

- Title I, Part A, Improving Basic Programs Operated by Local Educational Agencies (LEAs)
- Title I, Part C, Migrant
- Title I, Part D, Subpart 2, Prevention and Intervention Programs for Children and Youth Who Are Neglected, Delinquent, or At-Risk
- Title II, Part A, Teacher and Principal Training and Recruiting Fund
- Title II, Part D, Enhancing Education through Technology (formula part only)
- Title III, Language Instruction for Limited English Proficient and Immigrant Students (2% limit for administrative costs, including indirect costs)
- Title IV, Part A, Safe and Drug-Free Schools and Communities Program (2% limit for administrative costs, including indirect costs)
- Title V, Part A, Innovative Programs
- Title VI, Rural Education Achievement Program

Guidance:

1. The LEA options include:
 - Consolidating administrative funds for the programs above;
 - Consolidating administrative funds for only selected programs above; or
 - Not consolidating administrative funds for any of the programs above.
2. Consolidated administrative funds may be used for: In addition to indirect costs, district-wide management, program coordination, and office management functions are generally considered administrative activities. Specific examples of administrative activities include preparing program plans, preparing and submitting budgets and related amendments, monitoring programs, projects, and sub-recipients and related systems and processes, preparing district-wide reports, and performing services such as accounting, auditing, or legal activities.

(Please note: The process to request approval for consolidating administrative funds under NCLB will be accomplished through the OSPI iGrants system.)