



SCHOOL
NUTRITION
ASSOCIATION

Making the right food choices, together.

2006 Indirect Costs Study

**School Nutrition Association
Government Affairs Team**

I. Executive Summary

Since the inception of the National School Lunch Program (NSLP) in 1946, and continuing through the establishment of the School Breakfast Program (SBP) in 1966 to the present day, school foodservice has played an integral role in the health and nutrition of American children, remaining one of the key safety-nets in place to alleviate childhood hunger and malnutrition domestically. According to the USDA, in FY 2005 the NSLP served 29.6 million children daily, while the SBP served 9.3 million children daily.

Though participating school districts and independent schools are supported by federal reimbursement and USDA commodities, as well as varying degrees of state matching funds, the costs of operating these essential programs remain demanding. The principal expenses of this operation are labor and food purchasing, but are accompanied by a multitude of additional costs. Other typical costs incurred by the school foodservice include supplies, gas, electricity, sewer, water, trash, equipment, maintenance, workman's compensation, and transportation, among others. Of these additional costs, those that are not readily identifiable with a specific objective because they benefit more than one objective are considered indirect costs.

SNA's Public Policy and Legislative Committee has identified inconsistent policies for indirect costs charged by school districts to school meal programs as a priority issue that could potentially be undermining the effectiveness of the NSLP and SBP. This study was conducted to solicit feedback on the issue from foodservice directors across the country and assess the landscape with regard to how indirect cost rates are applied and implemented between school districts and school nutrition programs. In order to collect information about indirect costs and their effect on school foodservice, surveys were completed online in Spring 2006 by a sample of 972 foodservice directors from throughout the country.

II. Key Findings:

- 52% of respondents were charged for indirect costs in 2004-2005
- The number of schools being charged for indirect costs has increased in the past ten years
 - 17% of those being charged had only begun to be charged in the past five years
 - In the 1994 School Lunch and Breakfast Cost Study, only 10.6% of districts were charging the foodservice account for some portion of their indirect costs¹
- A lack of awareness was evident among directors on indirect cost issues
 - 25% of respondents did not know what method was used to calculate the amount of indirect costs they owed their school district
 - 20% of respondents did not know when they started being charged for indirect costs
 - 11% of respondents not being charged for indirect costs did not know where the district drew the funds from to cover for them
 - 44% of respondents did not know what method is used for compensation in instances where they were over- or under-charged for their indirect costs
 - There is a lack of consistency among respondents as to what qualifies as an indirect cost in their district due to a lack of guidance and education on the subject
- A lack of a uniform method for calculating indirect costs was apparent
 - Over 40 methods of calculating indirect costs were reported
 - The lack of uniformity is making it difficult to maintain accountability and provide an effective recourse for directors who feel they are being overcharged

¹ USDA, ABT Associates, *School Lunch and Breakfast Meal Cost Study*, October 1994

- 32 % of those who are being charged indirect costs use the indirect cost fixed rate, making it the most commonly used method of calculation
 - This suggests it as an option for use as a standard formula
- 87% of respondents not being charged for their indirect costs reported that the school district drew from the general fund to cover for their indirect costs

III. Background and History

A. What are indirect costs?

Costs are identified as being in one of two categories, either direct or indirect. Direct costs are those that can be readily identified with a particular objective. For example, the cost of food for a reimbursable lunch in the NSLP would be a direct cost. According to OMB Circular A-87, indirect costs are those a) incurred for a common or joint purpose benefiting more than one cost objective, and b) not readily assignable to the costs objectives specifically benefited, without effort disproportionate to the results achieved.² A typical example of an indirect cost is electricity, which is considered a foodservice cost because the school food service uses electricity for activities such as cooking and refrigeration. However, the school building also uses electricity for things like lighting and janitorial services, which benefit both the foodservice and the school, and are therefore indirect costs. For more general information on indirect costs, see Appendix A on page 20 or visit www.schoolnutrition.org

B. An Issue of Growing Concern

SNA's Public Policy and Legislative Committee identified indirect costs being charged to school foodservice as an area of concern leading up to the 2003-2004 Reauthorization. This came as the result of repeated complaints expressed by members who believed this to be an issue strongly undermining the efficiency of school nutrition programs.

Simply put, it is tough to keep a school foodservice program "out of the red". Balancing the level of reimbursement received for school meals with the expenses incurred by the program has always been a persistent challenge. A GAO study showed that between 1996/1997 and 2000/2001, the total labor expenses for foodservice increased, while federal reimbursements saw a slight decrease³. Also, while foodservice professionals are continually working to increase the nutritional value of the meals they provide, this commitment does add financial stress to the program and in recent times has appeared as an unfunded mandate. The multitude of issues associated with charging indirect costs to the foodservice account further contribute to the difficulty of running an efficient program.

² OMB Circular A-87 Attachment A Section F

³ United States General Accounting Office, *School Meal Programs: Revenue and Expense Information from Selected States*, May 2003

In addition, indirect costs are being charged to an increasing number of school foodservice programs throughout the country. In the USDA School Lunch and Breakfast Meal Cost Study, conducted in 1994 by ABT Associates, only 10.6% of districts surveyed were charged for some portion of their indirect costs⁴. However, SNA's research shows that, in 2004-2005, 52% of districts surveyed were charged for indirect costs. This significant increase over the past 12 years shows that a growing number of school nutrition programs are potentially affected by the practices of school districts charging them for their indirect costs, making it an issue of growing concern.

IV. Methodology

In order to collect information about the common practices of school districts charging foodservice programs for their indirect costs, SNA undertook a study in which 972 foodservice directors from throughout the country were surveyed. This sample included respondents from each of the fifty states. The survey was administered online using zoomerang.com from April 5 – June 1, 2006. It was sent to 4,257 SNA foodservice director level members.

The following is a list of topics covered in the survey:

- **Demographics:** General demographics of the foodservice program (state, district, # of schools in district, enrollment, % Free and Reduced-price)
- **Foodservice Costs:** What qualifies as an indirect/direct cost in a particular district, dollar amount of indirect costs in 2004-2005, whether the foodservice account was charged for indirect costs in 2004-2005
- **Not Charged for Indirect Costs:** Those schools not being charged for their indirect costs were asked where the school district drew the funds from to cover those costs

⁴ USDA, ABT Associates, *School Lunch and Breakfast Meal Cost Study*, October 1994

- **Charged for Indirect Costs:** Those schools being charged for indirect costs were asked if there was a standard method of calculating indirect costs used in their district, how long they have been charged, how many schools in their district are also charged, what was their indirect costs rate if they use that method of calculation, what method of compensation the district uses for under- or over-recovery of indirect costs, what the titles are of the LEA and State officials responsible for administration of indirect costs

Since not all questions were mandatory, and since certain questions were directed specifically towards those directors whose programs were being charged indirect costs by their district, not all questions drew 972 responses. For a complete copy of the Foodservice Director Survey see Appendix B on page 23.

V. Results and Implications

A. Demographics of Respondents

Table 1- Respondents' Geographic Representation, by Region

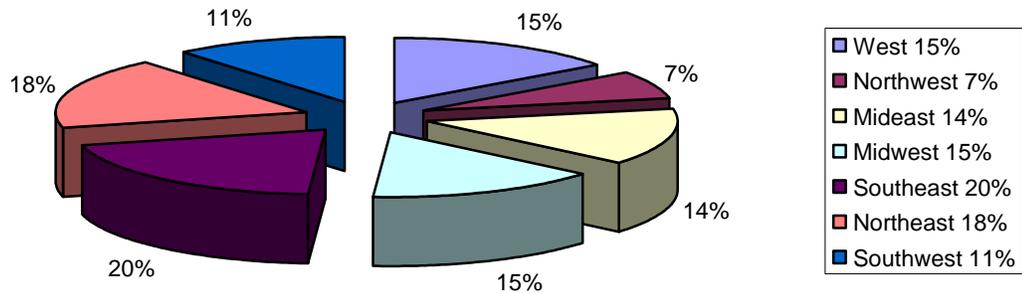


Table 2- Respondents' District Enrollment

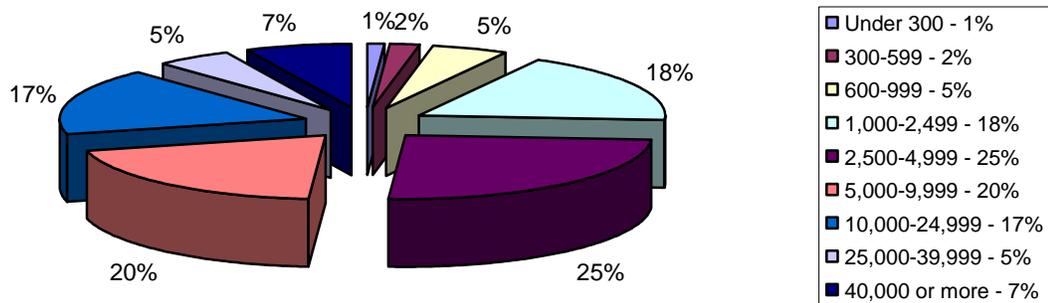
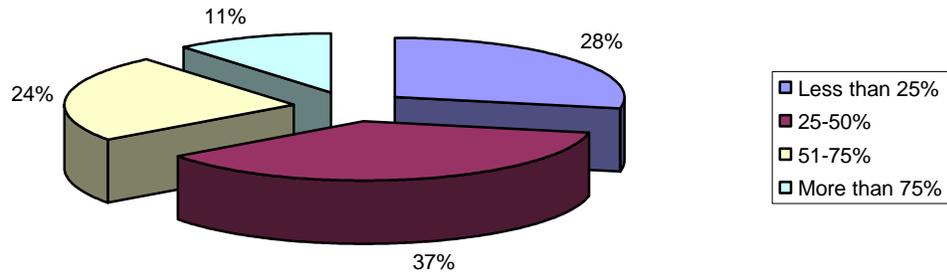
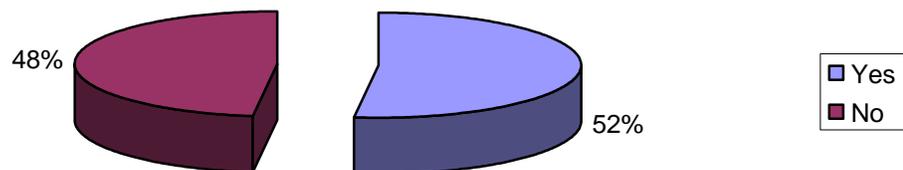


Table 3- Percentage of students qualifying for free and reduced-price meals in respondents' districts



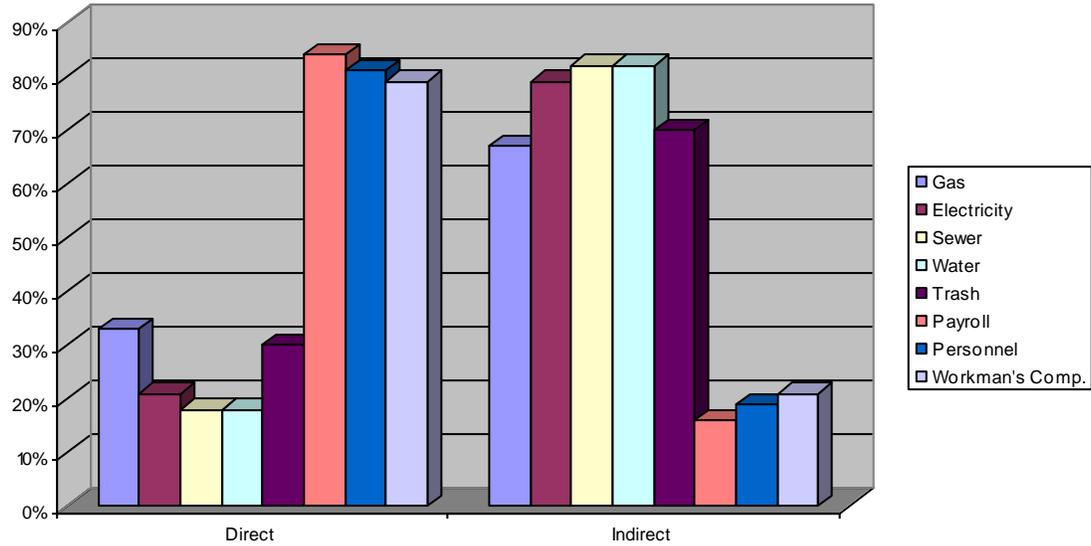
B. Foodservice Costs

Table 4- Percentage of respondents who were charged for indirect costs in 04/05



52% of respondents indicated that they were charged indirect costs in the 2004-2005 school year, while 48% indicated that they were not charged for their indirect costs in that same year. As mentioned earlier, the 1994 School Lunch and Breakfast Cost Study by ABT Associates, from a sample of 94 SFAs, found that only 10.6% of foodservice programs responding were charged for some part of their indirect costs. This profound increase shows the importance of investigating the effects of indirect costs and potential strategies for improvement, as well as the need for education on the proper procedures for identification and calculation of indirect costs.

Table5- Typical direct and indirect charges



The majority of respondents indicated that typical indirect costs in their district are gas, electricity, sewer, water, and trash. A majority of respondents also indicated that payroll, personnel, and workman’s compensation are typically direct charges. However, a significant percentage of respondents answered contrary to this majority, indicating that there is not complete consistency as to what specific costs are thought to be allowable as indirect. This inconsistency, while indicating a lack of awareness amongst foodservice directors, also supports claims that districts are deciding for themselves what is or is not an indirect cost, instead of following the proper guidance.

The Actual Costs Involved

Respondents were asked to give the actual amount (in dollars) that their programs were charged for their indirect costs in 2004-2005. The 502 respondents reported a total of **\$213,476,469** being charged to their foodservice programs for indirect costs in 2004-2005. Given that foodservice operations vary in scale and cost from one district to the next, it would be statistically inaccurate to consider this an exact fraction of the total indirect costs charged to foodservice programs nationally. However, consider that this is a sample of 500 programs from a national total of approximately 20,000⁵. A conservative

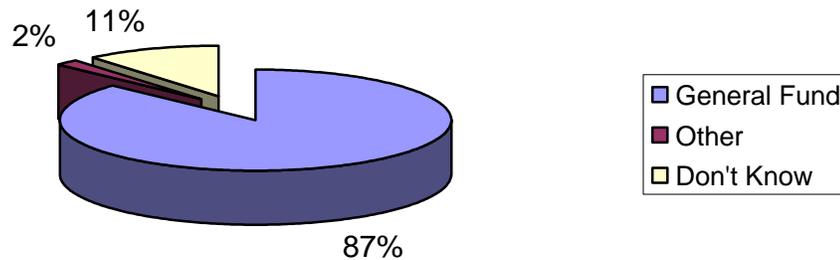
⁵ USDA FNS Office of Analysis, Nutrition, and Evaluation, *Analysis of Verification Summary Data School Year 2004-2005 May 2006*, <http://www.fns.usda.gov/oane/MENU/Published/CNP/FILES/CNVerification.pdf>

estimate of the total indirect costs charged to school foodservice programs would then be over \$3,000,000,000, while still taking into account that approximately 50% are not being charged. In any case, these dollar amounts can help us to put the question of how indirect costs affect school foodservice into financial perspective.

C. Not charged

A significant number of SFA's are not being charged for their indirect costs. In this study, 470 of all respondents, or 48%, reported that they were not charged for their indirect costs. Who pays for the indirect costs that these programs incur? We asked respondents that are not charged for their indirect costs where the district draws the funds to cover these costs.

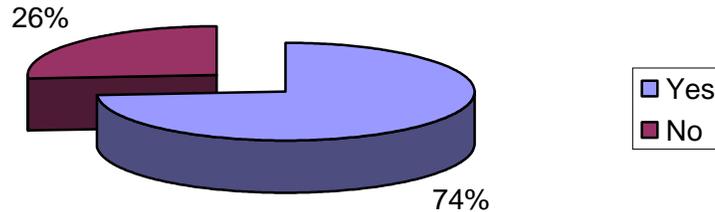
Table 6- When foodservice is not charged for indirect costs, where does the funding come from?



Of the 437 respondents, 87% reported that the district paid for the foodservice's indirect costs from the general fund. This is the same fund that pays the salaries and benefits of teachers and other school personnel, as well as supplies, facilities, equipment, and services for the school district. The 2% that reported the funding for indirect costs coming from some "other" source cited examples: The Building Operating Funds; Levy Fund; Maintenance Account; Management Fund; and Facilities Budget. 11% of respondents reported that they don't know how the district compensates for the lack of indirect costs recovered from their program.

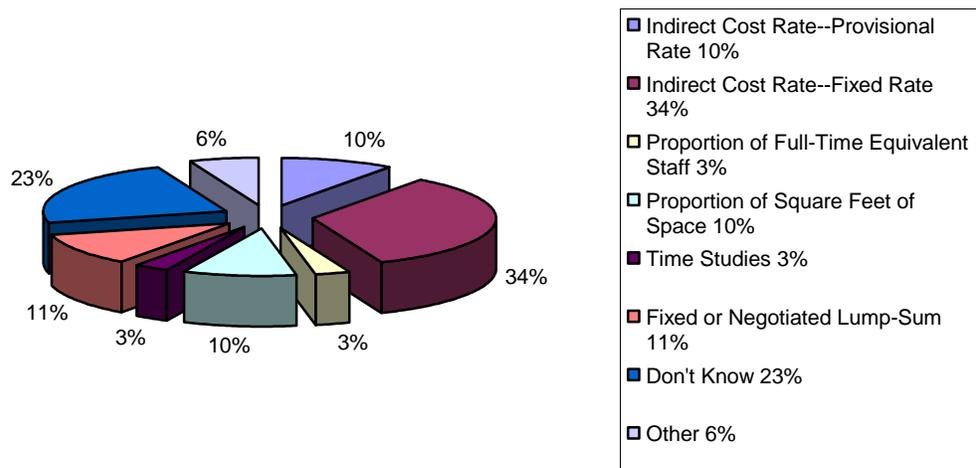
D. Charged

Table 7- Is there a standard indirect cost allocation method used in your district?



74% of respondents said that there is a standard formula used in their district, meaning that indirect charges are calculated through the same method throughout the district. 26% responded that there are different methods being used in the same district. This shows that indirect costs are calculated in various ways on even the most localized level. However, the fact that a heavy majority of districts are using a standard method is an encouraging finding because it shows that districts are willing and able to employ a uniform method of calculation if required.

Table 8- Which of the following cost allocation methods are applied in your district?



34% of respondents are charged for their indirect costs using the “Indirect Cost Rate-fixed rate” methodology, making it a strong option to promote as the preferred standard method. This is also the method prescribed and outlined in OMB Circular A-87 (http://www.whitehouse.gov/omb/circulars/a087/a87_2004.html). Other commonly used methods included “fixed or negotiated lump-sum” (11%), “proportion of square feet of space”(10%), and “Indirect Cost Rate-provisional rate”(10%).

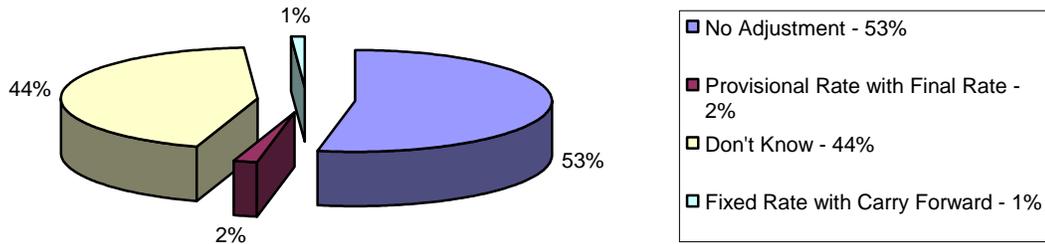
Other Methods Used

Additional methods reported in the “Other” category included:

- 1) A percentage of the federal reimbursement
- 2) An amount based upon an equipment energy usage survey
- 3) The wages and benefits for custodians
- 4) An amount per plate served
- 5) An amount based on the number of classroom units
- 6) Whatever profit the foodservice makes is taken as indirect costs
- 7) Indirect costs are split between different departments
- 8) Indirect charges are subtracted from the amount of state matching funds the foodservice receives
- 9) A percentage of the foodservice revenue
- 10) An amount based upon what the school district needs to balance their budget

This variation in methodology is precarious because it produces a situation where it is difficult to monitor the accuracy of indirect charges, or the legitimacy of the method used in calculating those charges. If there is no standard or required method, it becomes overly convoluted to ensure that school foodservice, and ultimately Child Nutrition Programs, will be protected from erroneous charges or even financial abuse. Streamlining the calculation of indirect costs is a crucial step in maintaining an equitable process that is fair to both the foodservice authority and school district.

Table 9- What method do districts use to compensate for under- or over-recovery of indirect costs?



Oftentimes, indirect cost rates are determined according to a previous year's costs, which can result in a program being over- or under-charged. When a foodservice program is under- or over- charged for their indirect costs, there must be a standard method for providing financial compensation, as well as adjusting the next year's rate to more accurately reflect the actual costs that the program incurs. Respondents reported that a majority of districts (53%) provide "no adjustment", meaning that they do not have a system for balancing this difference. Only 3% answered that they know of either the "provisional rate with final rate" or "fixed rate with carry forward" methods being used, while 44% reported not knowing what method is used for this type of situation.

E. Foodservice Directors' Comments

Respondents also had the opportunity to comment on the issue of indirect costs. The following is a sample of what they had to say:

An Issue of Increasing Relevance

"Prior to the current school year, foodservice has not been charged for any indirect costs, but that will change this year."

“Starting with the 2005/2006 SY we are being charged all possible direct expenses and 3.95% of expenses for indirect costs.”

“They will be looking at charging foodservice for indirect costs down the road, I am told.”

An Issue for Child Nutrition Programs

“Seems like Congress wants us to run the CNP as a non-profit organization to keep the meal cost low but then we have to pay the school district as though we were making a good profit. Our meal costs will have to go up next year in order to pay indirect costs. “

“As school district budgets become tighter, district officials look for every way to recover expenses. Many feel that food services can simply raise prices to cover for additional indirect charges.”

“Indirect cost set by a school district can and is undermining the CNP. They charge what they want.”

The Need for a Uniform Methodology

“The subject of indirect costs is very fragile. FSD have little incentive to make money in the operation for fear the local district will look at those funds as a revenue source to support the general operating fund. The lack of a regulated formula allows this to occur. This is one way that LEA’s can cause a program to operate in the red.”

“We would like to see a uniform procedure for calculating indirect costs. The state department does not like to get involved in local issues.”

“I hope you can find a way to control the amount that is taken from these programs.”

The Need for Increased Awareness

“We are still in the process of defining how the district claims funds for indirect costs in this district (in regard to food services department)...the district is looking for regulations to guide them in this decision...”

“I really don’t have the specifics for how indirect charges are calculated, and I doubt that even a few directors in the state know how it is done”

“The Department of Food Services does not know if there is a formula utilized in determining how much indirect costs are charged to Food Services. The amount has been substantially different for the two years Food Services has been charged indirect costs.”

“I am not sure I totally understand the difference between direct and indirect cost.”

“I would like to see the report that our district submits to the state that describes what they actually charge Food Service.”

Cases of Questionable Accuracy and Erroneous Methodology

“Our program is viewed as a cash cow for the system and is penalized for being profitable as money is taken from us when we need it for our own program”

“The indirect cost rate from the state varies from 11% to 23% without explanation, which makes it difficult to budget.”

“We are charged directs on utilities and then the district includes those totals in the indirect calculation also.”

“The district has not based indirect costs on specific identified line item costs.”

“I feel the fund is overcharged for indirect. Nobody in the district is able to show me the original formula used to come up with current charges.”

“We have already paid our payroll then again in our indirect. We pay the district for some services that they do not provide. Its about time someone take a look at this.”

“The indirect costs are reported to the state agency who uses this dollar amount to negate the state matching funds mandated. In this way we are “charged” for the indirect costs.”

“The district utilizes a formula given by the state to determine the amount that they can charge for indirect costs. Above the formula we then pay for personnel in several other departments.”

“Our indirect cost has been the same amount for several years. Our enrollment has dropped but the cost remains the same.”

The Other Side of the Coin

“I instigated these payments- I believe districts should not use general fund dollars to subsidize the food service program- we are subsidized by state and federal programs”

“My account for the foodservice program covers all costs procured by the foodservice program directly”

“Based on the actual expenditures for Food Services and the approved indirect cost rate, the District could have charged \$404,404. However, the District only charged \$150,000 to Food Services.”

VI. Recommendations

A. Education

Currently, there is a widespread lack of awareness of indirect cost issues, including even the basics of what they are, how they are identified, and how they are calculated. If a greater knowledge and awareness of indirect costs existed, an enhanced cooperation between school districts and foodservice could strengthen the effectiveness and influence of Child Nutrition Programs. SNA and partnering organizations associated with Child Nutrition Programs should initiate an educational campaign to strategically inform different groups:

- Foodservice Directors/SFA’s
 - Directors and SFA’s should know the difference between indirect and direct costs, including examples of what costs are allowable as indirect or direct. They should be

aware of how indirect costs are to be calculated, and the current practices of their district for charging them indirect costs. Also, they should be informed of the common mistakes that occur in calculating indirect costs so they will know what to look out for. In addition, they should know who is responsible for administering indirect costs in their district and who approves methodology for indirect costs at the state level, as well as the agency responsible for monitoring the accuracy of the charges made to their program.

- Local Education Authorities
 - Local Education Authorities should know what is allowable and unallowable as an indirect cost, and what methods of calculating indirect costs are acceptable. They should be aware of the methods available to provide compensation for under- or over- recovery of indirect costs, as well as the common mistakes that occur in calculating indirect costs. Additionally, they should understand the importance of Child Nutrition Programs and the significant bearing indirect costs can have on their effectiveness.

- State Directors
 - State directors must know all of the above information so that they can be resources for foodservice directors, LEA's, as well as state agencies on matters concerning indirect costs. Being informed on these issues will enable them to serve as liaisons between these three groups.

- Avenues for Education
 - SNA website and publications
 - State Agency websites and publications
 - State Agency training
 - State Association conferences
 - LAC Breakout Session
 - ANC Breakout Session
 - CNU Online Courses

B. Standardize the Method of Calculation

The research in this report has shown that there is a considerable range of methodology used by school districts to calculate how much they will charge foodservice for their indirect costs. Some of these methods have clearly shown themselves to be more reasonable than others. The lack of a standardized method is undermining the ability to regulate these various practices and ensure that a fair procedure is being used. Through cooperation between the Department of Education and USDA, a standardized system for identifying and calculating indirect costs should be established and reinforced.

In order to further support this goal, one State Agency Director suggested that states should automate the process of accurately determining the maximum (unrestricted) rate based on districts' official financial reports of their general fund to the state agency. It would also be beneficial for OIG, USDA Compliance Supplement (for use in single audits) for the Child Nutrition Cluster to specifically require a confirmation of the accuracy of the application of the approved rate to allowable expenditures and subsequent charges to the program.

VII. Conclusion

The 2006 Indirect Costs Study shows that an increasing number of school foodservice programs across the country are being charged by their respective school districts for their indirect costs, a budding issue that has the potential to damage the efficacy of these vital Child Nutrition Programs. Also uncovered in this study was the lack of awareness amongst foodservice directors and school districts of the appropriate procedures concerning the identification and calculation of indirect costs. Additionally, there was an overall lack of consistency amongst school districts nationwide on what method they used to identify and calculate indirect costs. These issues, both individually and collectively, present an imminent concern because of the threat that they can pose to the financial security of Child Nutrition Programs throughout the country.

In order to address this critical issue, the School Nutrition Association, in cooperation with colleagues in child nutrition and anti-hunger circles, aim to embark on a nationwide educational campaign that will target foodservice directors, local education authorities, and state officials in child nutrition and education. Furthermore, it is recommended that, through collaboration between SNA, USDA, and the Department of Education, a consistent system for identifying and calculating indirect costs should be established and reinforced.

Appendix A Indirect Costs: Frequently Asked Questions

○ ***What are indirect costs?***

Costs are identified as being in one of two categories, either direct or indirect. Direct costs are those that can be readily identified with a particular objective. For example, the cost of food for a reimbursable lunch in the National School Lunch Program would be a direct cost. According to OMB Circular A-87, indirect costs are those a) incurred for a common or joint purpose benefiting more than one cost objective, and b) not readily assignable to the costs objectives specifically benefited, without effort disproportionate to the results achieved.⁶ A typical example of an indirect cost is electricity. The school food service uses electricity for activities such as cooking and refrigeration. However, the school building also uses electricity for things like lighting and janitorial services, which benefit both the foodservice and the school, and are therefore indirect costs.

○ ***What are examples of indirect costs? What are examples of direct costs?***

Table 1- Common examples of indirect costs and direct costs.

<i>Indirect Costs</i>	<i>Direct Costs</i>
<i>Gas</i> <i>Electricity</i> <i>Sewer</i> <i>Water</i> <i>Trash</i>	<i>Payroll</i> <i>Personnel</i> <i>Workman’s Comp.</i> <i>Media/Promotional Materials</i> <i>Other capital expenditures</i>

○ ***How are indirect costs identified?***

The most commonly used method of identifying indirect costs is through the development of a Cost Allocation Plan (CAP).

○ ***What is a CAP?***

CAP stands for Cost Allocation Plan. A CAP provides an outline of the costs incurred by the district and whether those costs that are allowable will be charged as indirect or direct. By doing this, it then allows for the establishment of an Indirect Cost Rate Proposal (ICRP).

○ ***How is a CAP developed?***

All of the activities of the school district and their related costs must be identified in a CAP, whether allowable or unallowable and regardless of funding source. Once all of these functions and their costs are identified, they are then recognized as direct or indirect. The next step is to then exclude all unallowable costs from the indirect costs.

⁶ OMB Circular A-87 Attachment A Section F

- ***What is an unallowable cost?***

Certain costs are unallowable as direct or indirect by their nature, such as the cost of a donation. Also, indirect costs can be declared unallowable because they have been misclassified. For instance, if a capital expense is classified as indirect, it would be unallowable because capital expenditures may only be charged as direct costs. Additionally, certain state or federal requirements can make a typically allowable cost unallowable for a particular function. An example of this would be that while federal guidelines allow fringe benefits to be charged as an indirect cost, state financial management may require districts to directly expense fringe benefits. For more guidance on what is allowable and what is unallowable as an indirect cost, see OMB Circular A-87.

- ***What is an Indirect Cost Rate Proposal?***

An Indirect Cost Rate Proposal contains all of the documentation necessary to request the authorization of an indirect cost rate. The indirect cost rate is calculated by dividing the indirect cost pool (the total amount of indirect costs) by the direct cost base (the total amount of direct costs).

- ***Once an indirect cost rate is approved, how is it applied?***

The indirect cost rate is multiplied by the total foodservice direct costs (direct cost base), and this amount is the calculated foodservice indirect cost.

- ***Are there different kinds of indirect cost rates? (Should we include this?)***

Yes, there are both “fixed rates” and “provisional rates” (See below)

- ***Is there a standard formula for calculating indirect costs?***

Currently, there is no uniform standard for calculating indirect costs. However, the most common method is through the development of an Indirect Cost Rate Proposal (ICRP-see above). Other commonly used methods include calculating the amount of indirect costs based upon time studies, a proportion of full-time staff, a proportion of square feet of space utilized, or a fixed or negotiated lump-sum.

- ***If indirect costs are not recovered from my food service account, who pays for them?***

When a foodservice account does not pay for its indirect costs, the school district must pay them using non-federal sources. This is because it is not allowable to transfer funds from another federally funded program. Since a district’s indirect costs are typically paid from the general fund, it is the general fund that absorbs the loss.

- ***What methods are used in the case of over- or under-recovery of indirect costs?***

Since indirect cost rates are often based upon a previous year’s costs, under- or over- recovery of indirect costs may occur. There are two principle methods of compensating for this:

- *Provisional Rate with Final Rate*- A provisional rate for the year is set, based upon previous years' expenses. Indirect costs are charged during the year based upon this provisional rate. The final rate is calculated based upon the actual data for the year, and the indirect cost is recalculated using this final rate. The indirect costs are then adjusted to equal this final rate.
- *Fixed Rate with Carry Forward*- A fixed rate for the year is set, based upon previous years' expenses and adjusted for the under- or over-recovery of those years. The actual indirect costs from the year are then used in the calculation of any adjustment to a subsequent year's indirect cost rate.

- ***Who is responsible for charging my food service program indirect costs?***

Typically, it is the director of finance or business services who oversees the administration of indirect cost charges. However, since this is not always the case, it is advisable to contact your district and find out who is responsible for indirect costs and what methodology they are using.

- ***What can I do if the amount of indirect costs charged to the foodservice account seems unfair? What should I be aware of when examining the accuracy charges to my program?***

If your district uses an indirect cost rate, the first thing that you should do is obtain the approved CAP and ICRP from your school district and compare it to the indirect cost rate and base used by the district. If the approved rate and base are being used, then you should compute the amount of indirect costs chargeable to the foodservice and compare it to the amount of indirect costs being charged to the food service. If errors are found, contact your state education authority or SNA state affiliate for assistance.

Also, be aware of the following:

- Whether the rate or methodology being used is approved
- Whether the indirect costs in the indirect cost pool are allowable
- Whether certain costs are included in both the indirect cost pool and direct cost base
- Whether certain costs are treated inconsistently (direct in some cases and indirect in others)
- Whether estimated or undocumented costs are included in the indirect cost pool and direct cost base
- The mathematical accuracy of the calculation

*For additional assistance, contact Erik Peterson, SNA Director of Public Awareness
epeterson@schoolnutrition.org

Appendix B Survey Questions

- 1) State?
- 2) School District?
- 3) Number of schools in district?
- 4) What is the total enrollment of your school district?
- 5) What percentage of student in your district qualify for free and reduced-price lunches?
- 6) Do the following costs qualify as direct or indirect in your school district?
 - a. Gas
 - b. Electricity
 - c. Sewer
 - d. Water
 - e. Trash
 - f. Payroll
 - g. Personnel
 - h. Workman's Comp.
 - i. Other
- 7) What was the total amount of the above indirect costs (in dollars) charged to your program for the 2004-2005 school year?
- 8) Was your foodservice program charged by your school district for indirect costs in the 2004-2005 school year? *If no, proceed to question #18
- 9) Is there a standard indirect cost allocation method used in your district?
- 10) If so, which of the following cost allocation methods are applied?
 - a. Indirect Cost Rate---Provisional Rate
 - b. Indirect Cost Rate---Fixed Rate
 - c. Proportion of full-time equivalent staff
 - d. Proportion of square feet of space
 - e. Time Studies
 - f. Fixed or negotiated lump-sum
 - g. Don't Know
 - h. Other, please specify

- 11) If your district uses an indirect cost rate method, what was that rate for the 2004-2005 school year (in percent)?
- 12) Are indirect costs calculated differently from school to school or is there a method used throughout the district?
- 13) How many schools are charged for indirect costs in your district?
- 14) How long has your district been charging your program for indirect costs?
- 15) What is the title of the Local Education Authority Official responsible for administration of indirect costs for your district?
- 16) What is the title of the State Official responsible for administration of indirect costs for your district?
- 17) What method was used to compensate for under- or over-recovery of indirect costs?
 - a. No adjustment
 - b. Provisional rate with final rate
 - c. Provisional rate with carry forward
 - d. Don't Know
 - e. Other, please specify
- 18) If your foodservice program is not charged indirect costs, where did the school district draw the funds to cover for the lack of indirect costs recovered from the program?
- 19) Additional Comments:
- 20) Are you willing to be contacted for additional information regarding your district? If so, please include your name and email below.