

Chapter Five

Program Cost Accounting and Reporting

Section 237.34, Florida Statutes requires program cost accounting and reporting on a school-by-school basis.

Cost reporting has two central elements:

1. Identification of direct program costs and aggregation of these costs by program, and
2. Attribution of indirect costs to programs on an appropriate basis.

Program costing is not accomplished solely by the day-to-day transactions as recorded on the district's accounting records. In fact, such a transaction-based system is difficult and expensive to manage since many transactions involve more than one program and the attributed indirect costs would have to be adjusted several times during the fiscal year. Effective budgetary control, an essential component of the accounting system, becomes an increasingly complex matter under such a system. This is particularly true in Florida's structure where statute directs that funded programs are to be costed. Beginning with the 1997-98 fiscal year, exceptional education program funding follows the student into all classes, not just special education classes. Students identified as needing English for Speakers of Other Languages (ESOL) programming are generally taught in Basic Programs funded classes (which also may have exceptional education students in membership). The financial accounting system provides the foundation for program costing. However, this system probably precludes capturing all funding and cost at the program level. At the time program costs are prepared, certain cost accounting procedures must be applied to the amounts produced by the financial accounting system. These procedures are applied on a systematic basis and are documented for audit trail purposes. The following sections detail Florida's program costing procedures.

COSTS TO BE REPORTED

With the exception of capital object expenditures for land, land improvements, buildings and fixed equipment and remodeling/renovations, ALL function 5000-8100 expenditures from the General Fund and Special Revenue Funds will be included in program costs (except function 5500). Two separate cost reports, by school, are to be produced; one for General Fund expenditures and one for Special Revenue Funds expenditures.

Each set of school reports will be aggregated to produce a report for the General Fund and a report for the Special Revenue Funds. The aggregate reports will include the following items to reconcile to the annual financial report expenditure totals from the General and Special Revenue Funds:

- Recreation & Enrichment Programs
- Other Specified Programs
- Non-Program Capital Expenditures
- Community Services (Function 9100)
- Debt Service (Function 9200)

Transportation and Food Services will be reported on a school-by-school basis, but will not be attributed as costs of programs.

COST ELEMENTS

Cost reporting elements include direct and indirect costs. Direct costs are classified into major objects. Indirect costs are classified as school level or district level. State Board of Education Rule 6A-1.014 distinguishes costs as school or district level. The distinction is made on the nature of the cost, rather than the cost center to which the expenditure is charged.

The major objects of direct cost are:

- Salaries (Object 100 as defined in the Red Book)
- Benefits (Object 200)
- Purchased Services (Object 300)/Energy Services (Object 400)
- Materials and Supplies (Object 500)
- Other Expenses (Object 700)
- Capital Outlay (Object 600 except Buildings and Fixed Equipment (630), Land (660), Land Improvements (670), and Remodeling/Renovation (680))

Direct costs of programs are those costs identified with the function 5000, (except function 5500) Instruction. Direct costs include the above objects under the function, Instruction.

Direct salaries and benefits are the largest cost elements to be considered in program costing. In those instances in which a teacher serves more than one program, it is necessary to divide the total salary accurately between programs.

The following procedure will be used:

- (1) The number of periods or instructional modules for each instructor will be determined.
- (2) The instructor's salary will be divided by the number of periods or time modules.
- (3) In the case of Special Programs (Exceptional, At-Risk, Vocational, or Adult) the salary for each program is the product of the number of periods in each of the designated programs and the period salary. Exceptions occur in that a vocational class may include high school and adult students. In this situation, it is necessary to consider the number of students and the relative time of instruction in each reporting category.
- (4) In the case of Basic Programs, it is necessary to examine the class grade level composition since the student's grade level determines FTE earnings. If there are students from two grade groups (4-8) and (9-12), it is necessary to split the period salary accordingly.

An example of the procedure discussed above would be a teacher earning \$21,000.00 and having the following time schedule and Basic Program pupil load:

Time Module	Assignment	Number of Students	
		8th Grade	9th Grade
1	Planning	XXX	XXX
2	Vocational (6-12)	XXX	XXX
3	Vocational (6-12)	XXX	XXX
4	English	16	16
5	English	10	20
6	English	12	14

In the illustration above, \$4,200.00 will be assigned to each student contact period or time module (\$21,000.00 x .20). Vocational (6-12) is a category in itself. Grade levels for these periods are ignored - \$8,400.00 will be assigned to Vocational (6-12) for this teacher.

The \$4,200 assigned 4th period will be prorated equally to the 4-8th grade program and the 9-12th grade program (\$2,100.00 each).

The \$4,200.00 assigned 5th period will be prorated as follows:

one-third (10/30) to 4-8th grade program = \$1,400.00
two-thirds (20/30) to 9-12th grade program = \$2,800.00

The \$4,200 assigned sixth period will be prorated as follows:

12/26 or 46% = \$1,932.00 salary for the 4-8th grade program
14/26 or 54% = \$2,268.00 salary for the 9-12th grade program

The \$21,000 will therefore be prorated as follows:

Vocational (6-12) = \$8,400.00
Basic, 4-8 = 5,432.00
Basic, 9-12 = 7,168.00
\$21,000.00

This information will also be used to determine full-time equivalent staff positions for the staff attribution schedule. Indirect costs are attributed on three bases: Staff (number of teachers), FTE students, and Time/Space. For this purpose, full-time equivalent teachers by program are determined concurrently with salaries by program.

40 percent or .40 FTE staff positions will be assigned to Vocational (6-12) program for this teacher.

period 2 .20
period 3 .20

.26 FTE staff positions will be assigned to the 4-8 grades category.

period 4 .10
period 5 .07
period 6 .09

.34 FTE staff positions will be assigned to the 9-12 grades category.

period 4 .10
period 5 .13
period 6 .11

The Program Cost Reporting System attributes salaries to programs and computes the full-time equivalent staff positions by program when assignment data by period, annual salary data, and days worked of annual contract period, are input for each teacher.

The other objects of Function 5000 are a relatively small part of total program costs. These costs may be specifically identified to particular programs or attributed on the following bases: Purchased Services (FTE), Materials and Supplies (FTE), Capital Outlay (FTE), and Other Expenses (Staff).

Indirect costs (functions 6100-8100) are those which are of such nature they cannot be readily or accurately identified with a program or the instructional function. For example, the custodial staff of a school may clean areas used jointly by individuals performing under Instruction, Instructional Support or General Support functions.

ATTRIBUTION OF COSTS

Three bases are used for attributing indirect costs to the instructional programs.

FTE students for those costs which tend to increase or decrease with the number of students or which are otherwise related to students.

Staff (number of full-time equivalent teachers paid from General Fund and Special Revenue Funds) for those costs which tend to increase or decrease with the number of teachers or which are otherwise more related to staff than students.

Time and Space are used for those costs which vary with the amount of space used by programs.

These bases are related to Instructional Support and General Support functions as follows:

FTE Students

Pupil Personnel Services, Instructional Media, Food Service, Pupil Transportation Services, and Board.

Staff

Instruction and Curriculum Development, Instructional Staff Training Services, General Administration, School Administration, Fiscal Services, and Central Services.

Instructional Time/Space

Operation of Plant, Maintenance of Plant, and Facilities Acquisition and Construction.

RATIONALE FOR ATTRIBUTION

Two factors are involved in determination of required attribution basis:

- (1) The causal relationship between the expense item and the programs benefited. There are certain expenditures which tend to increase or decrease as the number of students or staff, or other factors vary.
- (2) Cost involved in employing a particular attribution basis. A basis may be preferred in terms of causal relationship, but the cost of securing data for its use may not be justified by the additional degree of accuracy derived.

Florida specifies a basis for each support function. Some activities within a particular function may be more appropriately attributed on a different basis than other activities of the same function. However, practicality (cost) dictates that all costs of the function be attributed in accordance with the most significant causal relationship.

The following paragraphs address each support function and the attribution basis to be used.

Pupil Personnel Services include Attendance and Social Work, Guidance Services, Health Services and Psychological Services provided to pupils. The attribution base selected for Pupil Personnel Services is FTE Students.

Although the provision of services to teachers is an important part of Instructional Media Services, the service of librarians to pupils is the predominant activity. This activity would increase or decrease relative to the increase or decrease of students. The factor of FTE students was selected to prorate these services to program categories.

Instruction and Curriculum Development and Instructional Staff Training Services are almost entirely involved in instructional staff activities. These services should be attributed on an instructional staff basis.

The Board is involved in many activities involving service to students and staff. For purposes of Cost Reporting, these services should be attributed on an FTE student basis.

The majority of activity in General Administration involves managing personnel. Although it is recognized that many other activities are carried on which are pupil and space related, this function should be attributed on an instructional staff basis.

To attribute costs on a total staff basis would involve a secondary attribution that could result in additional expense but may not increase the accuracy of the attribution.

Under the description of activities involved in the function, School Administration, many are involved with the instructional staff of the school. Because of their heavy involvement with students, a split between attribution bases may be warranted. For the present, this function should be attributed on a staff basis, due to the efforts necessary in making this split.

Facilities Acquisition and Construction, Operation of Plant, and Maintenance of Plant consist mostly of acquiring, cleaning and maintaining space. To visualize the inadequacies of attributing indirect operation and maintenance cost on an FTE or Staff basis, the following diagram is offered:

K-12 BASIC CLASSROOM*
Typical Structure

1 Teacher
27 FTE Students
750 Square Feet

VOCATIONAL LAB*
Typical Structure

1 Teacher
18 FTE Students
1500 Square Feet

SPEECH THERAPY SPACE*
Typical Structure

1 Teacher
3 FTE Students
100 Square Feet

*Not to scale

The Program Cost Reporting System provides for inputting each teacher's space from existing district systems. Alternatively, models of space usage may be used.

In reviewing attribution of maintenance and operation in cost accounting literature, space is the most recommended basis. Consultation with school facilities personnel also indicates that space would be the better of the alternatives.

Maintenance costs should be recorded as direct to program categories when the cost is a result of the characteristics of the program. For example: a maintenance contract on typewriters used for a vocational program. Where possible, other maintenance costs should be recorded by building. Any remaining maintenance costs should be attributed to schools and programs on a space basis.

Fiscal Services and Central Services involve budgeting, receiving, disbursing, payroll, buying, storing, etc. These activities increase or decrease in relationship to the numbers of staff served. Fiscal Services and Central Services should therefore be attributed on the basis of instructional staff. As in the case of similar functions, a primary and secondary attribution (involving total staff) might be warranted if not for the expense involved in making such an attribution.

Food and Transportation services increase or decrease in relation to the number of students served. These costs should be attributed on the basis of FTE students. Food Service costs by school center and district-wide costs shall be attributed on FTE. While Food Service and Transportation are not to be attributed to programs, it is necessary to report these costs by school.

SOURCES OF ATTRIBUTION FACTORS

Annual FTE by school and by program is to be taken from the FTE submitted to the Department of Education.

The Staff figures are based on the full-time equivalent teachers by program. Full-time is defined as a teacher serving a regular teaching contract for the school year. Short course and summer courses must be equated to the regular term. The Florida Inventory of School Houses (FISH) reports all spaces for each school. Time usage of space must be established with reference to the class schedule. Districts may use space models in which a typical program space is used for each teacher identified with the program.

ATTRIBUTION TABLES

The attribution factors (FTE, Staff, and Space) of all programs constitute the overall attribution table for indirect costs. These factors provide for the attribution of indirect costs for both school and district level expenditures. One attribution table is not adequate for accurate distribution of all expenditures. For example, a district's General Fund is involved with all schools and all programs, while compensatory expenditures are to be made only for certain target schools and programs. Thus, School/Program tables are used to attribute indirect costs and prorate certain residual direct costs. All costs must be associated with a school/program table. Each district designates the school/program tables needed to accurately cost its program.

For example:

General Fund

General Fund expenditures except those specified to other tables. This table includes all schools and programs.

Transportation Expenditures. Exclude schools and programs not served, such as Adult Education.

Special Revenue Funds

Food Service Expenditures. Include schools having Food Service and exclude non-participating programs such as Adult Education.

Migrant Program Expenditures. Include only schools and programs served.

Vocational Project Expenditures. Include only schools and programs served.

Adult Basic Education Project Expenditures. Include only schools and programs served.

Exceptional Student Education, Federal Project Expenditures. Include only schools served.

Districts will have more tables than illustrated here. The number of tables will vary based on the district's program and the identification of programs in its accounting system.

SPECIAL CONSIDERATIONS

1. Aides exclusively assigned to particular programs shall be identified to those programs.
2. Contracted services expenditures which have been handled at the district level, but which are incurred for specific programs, shall be reported as direct costs for the specific programs.

For example, a school board may have contracted for services for students reported in Physical or Occupational Therapy program, but because the contract was developed by the district office, the expenditure may not have been reported as a direct program cost for ESE.

Contractual expenditures which are similar to the cited example shall be reported as costs of the program benefited. This can be accomplished through use of special tables in the cost reporting system.

3. Exceptional Student Education Programs (beginning 1997-98)
 - a. Students receiving exceptional education service are reported in ESE for the full day. Therefore, all Basic, Vocational, and At-Risk teachers with ESE students in their classes are to be reported as ESE in proportion to the number of ESE students to all students in their classes (period by period).
 - b. All ESE teaching personnel (team teachers, co-teachers, facilitators, consulting teachers, and lab teachers) are to be reported as ESE direct costs.
4. Adult Education
 - a. Plant Operating Costs - When separate school numbers are assigned to day and evening programs conducted in the same plant, operating costs (utilities, custodial and maintenance) shall be attributed to both schools.
 - b. Director of Adult Education Costs - When the Director of Adult Education also performs the function of principal of an adult school, administrative costs shall be split between school level and district level indirect.

COMPUTER PROGRAMS FOR COST ACCOUNTING

The Automated Cost Reporting System was developed to accomplish the large number of mathematical calculations required for distributing salaries to programs served, developing indirect cost attribution factors and attributing indirect costs to these factors. Phase I of the system distributes salary and develops Staff and Time/Space factors as described. The second phase creates attribution tables. The third and final

phase uses the results of the preceding phases plus additional expenditure data in the production of the required reports and supplemental cost analysis reports.

The program logic of the Automated Cost Reporting System is consistent with the requirements found in this chapter.

COST REPORTING PROCESS

Direct salaries for teachers must be determined programmatically by the process described earlier and summarized in the following sentence. If a teacher teaches more than one time module and different programs are involved in each time module, the year-to-date salary of the teacher first should be divided by the number of time modules taught and then multiplied by the percent of students in the categories within the time modules.

Direct salaries for substitute teachers (when not specifically identified to a program because of the nature of the substitute service) are to be attributed on a Staff basis. Direct Salaries for classroom aides serving more than one program are to be attributed on a Staff basis, if the time of service for each program is not readily determinable. Salary supplements generally should be distributed in the same manner as regular pay.

However, when the supplement is not related to regular duties, a Staff attribution should be used to distribute the supplement. Other salary amounts paid to teachers (conversion of sick leave on retirement and sabbatical leave) should be handled on a district-wide staff attribution.

Employee benefits are calculated based on a district or school percentage of benefits paid to salaries paid (option 1) or through direct input to programs (option 2). Option 1 is preferred over handling benefits by transaction because of the detail involved in tracing by transaction. The percent of variance for groups of teachers is not of enough significance to justify the detail necessary in handling by transaction. This is also likely true of benefits by school. Unless there is an unusual benefit variance by school, it is recommended that Option 1 users select the district level (by table) calculations.

Direct purchased services may be recorded from transactions for programs. The balance of direct purchased services, after deduction of transactions identified to specific programs is prorated on an FTE basis, either through school or district proration.

Other expenses may be recorded directly from transactions for programs. The balance of direct other expenses, after deduction of transactions identified to specific programs, is prorated on a Staff basis, either through school or district proration.

Capital Outlay expenses may be recorded directly from transactions for programs. The balance of direct capital outlay, after deductions for transactions identified to specific programs, is prorated on an FTE basis, either through school or district proration.

Indirect school costs are those indirect costs which are either identified to the school by transaction or are prorated to the school on an approved basis. These school indirect costs are attributed to cost programs within the school on either the number of full-time equivalent (FTE) students in the program, the number of full-time equivalent staff members in the program or the space used by the program.

Indirect district-wide costs are those indirect costs which are identified to district-wide support activities.

These indirect district-wide costs are attributed to programs within schools based either on FTE students, FTE staff members or space used by the programs.

District indirect costs applicable to all programs are distributed to all programs. Indirect cost applicable only to one program or to a subset of programs are distributed only to those program(s) through use of a school/program table for that purpose.

DESCRIPTION OF ATTRIBUTION PROCESS

Attribution bases are applied to indirect cost function codes as follows:

<u>FTE</u>	<u>STAFF</u>	<u>SPACE</u>
6100	6300	7400
6200	6400	7900
7100	7200	8100
7600	7300	
7800	7500	
	7700	

Direct costs which cannot be identified to specific programs will be attributed by object of expenditure as follows:

<u>FTE</u>	<u>STAFF</u>
Purchased Services	Salaries (residual amounts only)
Materials/Supplies	Benefits (residual amounts only)
Capital Outlay	Other Expenses

Salaries and Benefits are to be directly identified to a program, however, salary amounts for instructional aides (not exclusively assigned to particular programs) and substitutes plus some supplemental salary payments as described previously may be attributed. These small amounts not directly identified with a program are termed residual amounts in that they are direct in nature, but identification stops short of a program (school or district level). The other objects of direct costs constitute about five percent of program costs. The nature of a large portion of these items is such that direct identification to programs is impractical. Accordingly, these objects are frequently recorded only to the school level.

CALCULATION

Within each school/program table the calculation of attributed amounts are the same. The school/program table defines the schools and programs within schools for which attribution factors are to be included in the distribution of costs associated with the school/program table. Calculations for each attribution base (FTE, Staff, and Space) are handled identically.

- (1) District level indirect costs attributable to all schools and programs. An example would be Function 7100 (Board). This cost should be in the "ALL" school/program table. The amount would be attributed to all programs at all schools. For each program at each school the amount would be the product of multiplying the dollar amount of Function 7100 by a fraction - the numerator of which is the FTE of the program at the school and the denominator is the FTE of all programs at all schools.
- (2) District level indirect costs attributable to a group of programs only. An example would be the costs of supporting the office of the Assistant Superintendent for Vocational Education. These costs are a part of Function 7200, General Administration, but the benefit is limited to vocational education. This cost should be attributed only to vocational programs. Accordingly, through use of a table devoted to vocational programs, the cost is distributed to each vocational program at each school by a fraction in which the numerator is the staff of the particular vocational program at that school and the denominator is the staff of all vocational programs in the district.
- (3) District level indirect costs attributable only to a single program. An example would be the salary and benefits of a Program Coordinator (Function 6300) who serves only one program. This situation would call for use of a special table devoted to the program. The numerator of

the fraction used to distribute this cost to each school would be the staff of the program at the school and the denominator would be the staff of the program for the district.

- (4) School indirect costs recorded to school level. The amount attributed to each program at that school would be determined by the factor (FTE, Staff or Space determined by the function) for each program relative to the aggregate of that factor for all programs at the school. For example, one teacher is employed in the Exceptional Student Education (ESE) program of a school and there are nine other full-time teachers. One-tenth of school indirect costs to be attributed on a Staff basis would be attributed to ESE.
- (5) School indirect costs recorded at district level. These amounts are school level by State Board Rule 6A-1.014. Practicality requires recording at district level. An example of such costs would be maintenance labor. These amounts are attributed in the same manner as district indirect costs, but reported as additions to school indirect. See controls 2000, 2001, and 2002 for the correct entry of this data.
- (6) Residual direct amounts. The nature of these items is described in the preceding section. These amounts are attributed in the same manner as district or school indirects except that the amounts are added to the particular object of direct costs.
- (7) Food Service and Transportation. These amounts are not attributed to programs, but are based on each school's share of FTE exclusive of Adult Education programs and off-campus vocational programs. Schools not served should be deleted from the tables needed for the functions.