



State of Arizona
Department of Education

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MEMORANDUM

TO: National School Lunch Program (NSLP) Sponsors

FROM: Mary Szafranski, Deputy Associate Superintendent
Arizona Department of Education, Health & Nutrition Services

Cara Peczkowski, Director
Arizona Department of Education, School Nutrition Programs

DATE: August 22, 2011

RE: Child Nutrition Reauthorization 2010: Indirect Cost Guidance

Original Signed

The purpose of this memorandum is to provide guidance describing the requirements that school food authorities (SFAs) must comply with in the National School Lunch Program (NSLP) and School Breakfast Program (SBP) regarding indirect costs according to the Healthy, Hunger-Free Kids Act of 2010 (the Act), Public Law 111-296.

Funds from the school food service accounts are limited to those expenses that are reasonable and necessary to provide quality meals for the NSLP and SBP. In general, the full cost of the NSLP and SBP includes both direct and indirect costs. Direct costs are incurred specifically for the NSLP and SBP and can be readily identified to a particular school food service objective. Allocation of indirect costs is necessary because it identifies the portion of the costs benefitting the school food service.

The **attached** “Indirect Cost” guidance is intended to give SFAs information on program rules pertaining to indirect costs:

- Definitions for both direct and indirect costs and treatment of typical costs in the NSLP and SBP.
- Criteria to aid SFAs in determining allowable costs, including examples.
- Information on how a school district’s general fund recovers indirect costs from the nonprofit school food service account.
- Application of the indirect cost rate and the requirement for the SFA to determine the rate.

- Considerations for the SFA when assessing indirect costs charged to the nonprofit school food service account.
- Addressing errors and the billing of previous years' indirect costs.
- An overview of how the indirect cost rate is developed.
- Appropriate uses of restricted or unrestricted indirect cost rates and adjustment of the rates.

For questions regarding this memorandum, please contact your School Nutrition Programs Specialist at (602) 542-8700.

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