



# ARIZONA DEPARTMENT OF EDUCATION

## Equitable Services Administrative Cost Guidance

**Purpose:** The purpose of this guidance is for the Arizona Department of Education (ADE) to establish and align policies, requirements, and expectations to federal regulations and guidance for equitable services administrative costs.

**Policy:** The preponderance of equitable service funds must be allocated to provide equitable services respective to each Title program. Administrative costs must be reasonable and necessary, and only a minor amount of funds may be dedicated to this function, which ensures the efficient performance of the grant award. LEAs requesting more than 10% of the proportionate share for equitable service administrative costs for Title I-A or Title II-A must demonstrate an administrative burden above and beyond the standard administration of the Title program, and of equitable services within the grant.

**Per the U.S. Department of Education Office of Non-Public Education:** A State Educational Agency (SEA) may establish a standard percentage for administrative costs, above which justification from the LEA may be required to establish reasonableness.

Program	Federal Cap	Arizona Cap
Title I-A	Reasonable and Necessary Test	10% or Rationale
Title I-C	Reasonable and Necessary Test	Reasonable and Necessary Test
Title II-A	Reasonable and Necessary Test	10% or Rationale
Title III-A	2% Total (LEA and PS)	2% Total (LEA and PS)
Title IV-A	2% Total (LEA and PS)	2% Total (LEA and PS)
Title IV-B	10% Total (LEA and PS)	10% Total (LEA and PS)

**Methodology for 10%:** The federal government sets administrative caps for several programs ranging from 2% to 10% (i.e. Title III-A, IV-A, IV-B, etc.). ADE will use that percentage range as the baseline for what is considered reasonable and necessary. This methodology is supported by feedback from other states and the Office of Non-Public Education.

**Justification to request greater than 10%:** If the administrative burden exceeds 10% of the administrative equitable service set aside, additional data will be requested for grant approval (uploaded in Related Documents). This may include but is not limited to the following:

- breakdown of hourly pay for each of the services such as consultation, preparation and oversight for each part of implementation PLUS the same for the public schools to demonstrate that the reservation is equitable
- equitable comparison of the amount reserved for Set Aside 1 to Set Aside 3a
- job description(s) that aligns with consultations or unique burdens for equitable services
- provide a breakdown or explanation to show the percentage of time the various annual tasks: create a side-by-side comparison listing duties; add a column for the LEA and column for the private nonprofit (PNP); for each task, state what is done for the LEA and PNP as well as the percentage of time it takes annually

*Rationale for higher administrative costs does not guarantee approval and must be in full coordination with private schools that have been consulted on the rationale and cost.*

## **2 CFR § 200.400**

*The application of these cost principles is based on the fundamental premises that:*

*(a) The non-federal entity is responsible for the efficient and effective administration of the Federal award through the application of sound management practices.*

*(b) The non-Federal entity assumes responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.*

*(c) The non-Federal entity, in recognition of its own unique combination of staff, facilities, and experience, has the primary responsibility for employing whatever form of sound organization and management techniques may be necessary in order to assure proper and efficient administration of the Federal award.*

*(d) The application of these cost principles should require no significant changes in the internal accounting policies and practices of the non-Federal entity. However, the accounting practices of the non-Federal entity must be consistent with these cost principles and support the accumulation of costs as required by the principles, and must provide for adequate documentation to support costs charged to the Federal award.*

*(e) In reviewing, negotiating and approving cost allocation plans or indirect cost proposals, the cognizant agency for indirect costs should generally assure that the non-Federal entity is applying these cost accounting principles on a consistent basis during their review and negotiation of indirect cost proposals. Where wide variations exist in the treatment of a given cost item by the non-Federal entity, the reasonableness and equity of such treatments should be fully considered. See the definition of indirect (facilities & administrative (F&A)) costs in [§ 200.1 of this part](#).*

*(f) For non-Federal entities that educate and engage students in research, the dual role of students as both trainees and employees (including pre- and post-doctoral staff) contributing to the completion of Federal awards for research must be recognized in the application of these principles.*

*(g) The non-Federal entity may not earn or keep any profit resulting from Federal financial assistance, unless explicitly authorized by the terms and conditions of the Federal award. See also [§ 200.307](#).*

## **ESEA Title I-A Non-Regulatory Guidance Updated May 2023**

### ***B-36. How does an LEA reserve Title I funds for its administration of the Title I program to provide equitable services for private school students?***

*After consultation with private school officials, an LEA may reserve an amount from the proportional share that is reasonable and necessary for the LEA's administration of equitable services. (2 C.F.R. §§ 200.403(a) and 200.4046). (This term refers to administrative activities that are directly attributable to the equitable services program, such as the time an LEA's Federal programs director spends on equitable services; it does not refer to indirect costs, discussed below in B-40.) An LEA determines this amount separately from the amount of funds needed for the administration of the Title I program for students in public schools. ESEA section 1117(b)(1)(E) requires the LEA to consult with appropriate private school officials about the size and scope of the equitable services for eligible private school children. Therefore, because the amount of the proportional share used for administration directly affects the size and scope of equitable services, the LEA must consult with private school officials regarding the administrative costs for implementing equitable services before it decides the amount to reserve for this purpose. (See A-9). If an LEA is considering charging indirect costs to the proportional share, as discussed below in B- 40, this would also be a topic during consultation in addition to discussing administrative costs. (See A-9).*

**B-37. May a third-party contractor hired by an LEA incur administrative costs?**

*Yes. A third-party contractor hired by an LEA to provide services to private school participants may incur administrative costs, which must come from the proportional share. The LEA and third-party contractor should identify in the contract the portion of the costs that are administrative.*

**B-39. If eligible private school children need transportation from the private school to another site in order to be served by the Title I program, who is responsible for providing this transportation?**

*If private school children eligible to receive equitable Title I services need to be transported from their private school to another site, the LEA, as the provider of equitable services, is responsible for providing that transportation. It is not the responsibility of the private school or the participants' parents to provide the necessary transportation. The cost of such transportation is an administrative cost and is therefore paid from the proportional share. Thus, it is often beneficial for LEAs and private school officials to work together to facilitate the provision of Title I services at the private school site in order to reduce administrative costs and time away from the student's general course of instruction at the private school.*

**Title VIII Equitable Service Non-Regulatory Guidance Updated July 2023**

**B-8. How are administrative costs and other costs of providing services to public and private school children determined?**

*An LEA reserves funds for administrative costs, including indirect costs, from a program's total allocation (off the top) before the LEA determines the allocation for services and benefits for public and private school children and educators. (34 C.F.R. § 299.7(a)(2)). Funds reserved cover administrative costs of both the public and private school components of the program. In some cases, the statute for a covered ESEA program specifies the maximum percentage of a program's total allocation that an LEA may use for administrative costs. When the statute is not explicit regarding the amount of funds an LEA may use for administrative costs, the amount of funds that an LEA may spend for this category of expenses is subject to the cost principles in 2 C.F.R. Part 200, Subpart E, 7 including the requirement that, among other things, all costs must be necessary, reasonable, and allocable to the program. In addition, a program that has a supplement not supplant requirement, like Title II, must use*

*a restricted indirect cost rate. Generally, an LEA with an approved restricted indirect cost rate may apply that rate to all its modified total direct costs, 9 including those it incurs to provide equitable services.*

*A contract to provide equitable services may include reasonable and necessary costs associated with providing services. These costs would not be included in an LEA's reservation of funds to administer the covered ESEA program. Rather, such costs would be built into the contract—i.e., as program service costs.*