

**DISTRIBUTION OF COSTS
INSTRUCTIONS FOR COMPLETION**

The funding packet contains a worksheet (“Distribution”) that combines information from the base budget and In-Kind worksheets. Administrative percentages are entered here for each applicable line item. The worksheets aim to assist the Provider in distributing costs and help the Grantee understand how the Provider distributes costs between program and administration.

The worksheets included in this packet combine the budget information from the budget by federal category and the in-kind budget into one document.

Step 1: Use the information from the “BUDGET BY FEDERAL CATEGORY” and the “IN-KIND BUDGET” to update the description and cost information on the “DISTRIBUTION” worksheet. This worksheet is linked and is used to assist the Organization in determining program and administrative cost distribution. The “Admin Percentages” must be entered into the “Distribution” worksheet for each applicable line item.

This may consist of salary costs being distributed based on a time study process or by an annual salary distribution estimate that a time study can verify. A method of allocating fringe costs should be compatible with the allocation of salaries.

NOTE: The Grantee requires fringes to be allocated based on the overall percentage distribution of the Personnel budget. For example, if an organization had a total personnel budget of \$200,000, twenty thousand (\$20,000) of which was functionally allocated to Education, 10% of each fringe benefit would be allocated to Education.

Step 2: The supplies, contractual, travel, and other category line items should use appropriate admin percentage distribution methods for the type of expenditure.

Step 3: Please provide documentation of all administrative distributions for this worksheet upon submission of the contract packet. This information will ensure all costs meet program needs and for monitoring.

COST ALLOCATION PLAN

Cost allocation is assigning the costs of an item shared by the programs. The goal is to ensure that each program bears its fair share, and only its fair share, of the total cost of the item. Cost accountants sometimes use the term to describe allocating costs, especially overhead costs, to specified accounting categories. In Early Head Start organizations, cost allocation refers to allocating costs to various funding sources, not to accounting categories.

A cost allocation plan is a written accounting of an organization’s methods for allocating costs to its various funding sources.

OVERVIEW

The requirement to allocate the costs of shared resources can be met by using logical and rational methods to ensure that each program is paying only its fair share of the cost of an item used in common and that no program is subsidizing another. Generally, the methods used to allocate a shared cost should be the simplest, most straightforward way of allocating this type of cost fairly. Complex, highly detailed methods should be avoided when a simple one will achieve the objective.

Methods, rules, or formulas using percentages or cost item fractions are acceptable. For example, allocating staff costs could be as simple as a statement of the percentage of time attributable to a funding source. If an individual spends half of the day on Early Head Start activities, another 25 percent on activities supported by funding source A, and 25 percent on activities supported by funding source B, then the cost allocation rule is 50 percent to Early Head Start, 25 percent to funding source A, and 25 percent to funding source B. These percentages may then be applied to all relevant personnel costs for that individual (or group of individuals) for a budget period. Minute-by-minute, hour-by-hour allocation is not required, but there must be a way to reasonably establish the basis for the allocation rule, such as organization or classroom schedules or prior year reports.

The cost allocation plan for an Early Head Start organization would be the combined individual allocation scheme for all the program's shared costs. The unnecessary proliferation of unique schemes should be avoided to keep the plan simple. General schemes that can be applied to large portions of the organization's budget and still fairly allocate shared costs are preferable to complex detailed schemes.

Each of the major "cost centers" or cost items in the organization's budget should be looked at for a reasonable, fair way to allocate the costs of that shared resource. The method for allocating the cost of facilities (office space, for example) may be quite different from the method for staff, but still expressed in simple percentage terms. For example, an organization could analyze the space (defined in square feet) used to administer various programs. If the Early Head Start director and secretary use 200 square feet in an organization's headquarters building with a total of 2,000 square feet, then Early Head Start's fair share of that space's cost is 10 percent ($200/2,000$). Other cost items would be analyzed similarly, using appropriate measures for each.

The nature and use of each cost item determine the most suitable measure for that item and the best scheme for allocating costs. An approach such as "Early Head Start has the largest budget, so Early Head Start should pay the largest share of costs" is unacceptable. The Early Head Start program's share of an organization's budget is determined by the allowable and reasonable cost of providing Early Head Start services as reflected in the cost allocation plan, not by the quantity of Early Head Start dollars going into the organization's total budget.

To carry out the requirement of appropriation law, a cost allocation plan should:

- List the Federal and other revenue sources for the program supported by historical or other data to substantiate the amounts.
- Describe how many Early Head Start enrollees are covered by Federal Early Head Start funds in the cost allocation plan if the organization serves children with funds from multiple funding sources.

- Describe the methods used to determine the allocation of the costs of shared resources to the various funding sources.
- Specify the basis for allocating costs within specific cost categories (personnel, space, supplies) and describe how expenditures within the major cost categories will be allocated and recorded in the grantee organization's accounting system.

Examples of cost allocation basis:

Type of Service	Suggested Basis for Allocation
Accounting	Number of Transactions Processed
Auditing	Direct Audit Hours
Budgeting	Direct Hours of an Identifiable Employee of the Central Budget
Buildings Lease Management	Number of Leases
Data Processing	System Usage
Disbursing Services	Number of Checks Issued
Employee Retirement System Admin	Number of Employees Contributing
Insurance Management System	Dollar Value of Insurance Premiums
Legal Services	Direct Hours
Mail and Messenger Services	Number of Documents Handled
Type of Service (cont.)	Suggested Basis for Allocation(cont.)
Motor Pool Costs	Miles Driven
Office Machines and Equip. Repair	Direct Hours
Office Space use and related	Square Feet of Occupied Space
Organization and Management	Direct Hours: Square Feet
Payroll Services	Number of Employees
Personnel Administration	Number of Employees
Printing and Reproduction	Direct Hours; Job Basis; Pages Printed
Procurement Services	Number of Transactions Processed
Local Telephone	Number of Transactions Processed
Health Services	Number of Employees
Fidelity Bonding Program	Number of Employees Subject to Bond

PLAN CERTIFICATION

All cost allocation plans must be submitted, reviewed, and approved by the organization's governing board. Certification plans must contain the following language related to its certification.

Offeror shall complete and sign the Certificate of Cost Allocation Plan below.

Certificate of Cost Allocation Plan

This is to certify that I have reviewed the cost allocation plan submitted herewith and to the best of my knowledge and belief:

1. All costs included in this proposal dated _____, to establish cost allocations or billings for the fiscal year _____, are reasonable, allocable, and necessary for the performance of grant activity and are allowable in accordance with the requirements of 2 CFR 200, entitled "Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards for Non-Profit Organizations. Unallowable costs have been adjusted prior to allocating costs as indicated in the cost allocation plan.

2. All costs included in this proposal are properly allocable to Federal awards based on a beneficial or causal relationship between the expenses incurred and the awards to which they are allocated in accordance with applicable requirements.

I declare the foregoing is true and correct:

Name of Organization: _____

Signature: _____

Name of Official: _____

Titles: _____

Date of Execution: _____