



Cost Allocation Tool DD

Cost allocation is the assignment of costs among funding sources (also referred to as ‘cost objectives’). Cost allocation establishes principles that each funding source bears its “fair share” of the cost. The principles are grounded in the fact that you treat expenses consistently among funding sources and no portion of a program bears the cost when more than one funding source benefits.

This guidance is only for ECI funding. If an ECI area board is responsible for other funding sources, from the board must follow the requirements of those sources regarding cost allocation.

Definitions and Concepts that Apply to Cost Allocation:

Cost objective: A function, organizational subdivision, contract, grant or other activity for which cost data are needed and for which costs are incurred.

Direct costs: Costs that can be identified specifically with a particular final cost objective. *[For ECIA boards, an example of a direct cost is a contract for family support – home visitation services.]*

Indirect costs: Costs (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. Indirect costs are distributed to benefitted cost objectives on the basis that will produce an equitable result when considering the relative benefits derived. *[For ECIA boards, an example of an indirect cost is board liability insurance.]*

Treated consistently: It is essential to treat each item of cost, either as a direct or indirect, consistently in like circumstances.

When assigning costs among ECI funding sources for a program, service, activity or personnel, consider if the costs assigned are:

- **Reasonable:** Is the cost customary and prudent for an average individual? For example, is the salary within the market rate for a similar job position?
- **Allowable:** Is the program, service, activity or personnel an appropriate and allowable expense for the funding source?
- **Allocable:** Is each funding source paying a “fair share” of the cost? A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received. (i.e., The funding source is paying its’ “fair share” of the expense.)

ECIA boards must allocate costs to activities or cost objectives based on the relative benefits received by each activity or program. This tool identifies three general categories of expenditures, cost allocation examples, and questions to consider when determining appropriate cost allocations.

General Categories of Expenditures

For ECIA, there are three general categories of expenditures when considering cost allocations discussed in this tool. The categories and examples in this tool only apply to activities funded with only ECI dollars. Some ECIA may have additional categories based on the scope of the ECIA board’s business.

1. Personnel/staff (*director/coordinator, support staff, etc.*)
2. Board and operational expenses (*rent, office supplies, telephone, computer services, equipment leases/fees, fiscal agent fees, board liability insurance, audit costs, etc.*)
3. Funding a program/service/activity (*nurse consultant, home/center child care consultant, behavioral intervention services, purchase of equipment/products for programs, etc.*)

Personnel/Staff

Some ECIA staff have many different work assignments as part of the person’s paid position. When an ECI staff person has more than one work assignment as part of the person’s paid position and/or is paid out of more than one funding source (such as, both ECI Early Childhood and School Ready administrative funds, several categories of ECI School Ready funds, etc.), ECIA boards must appropriately allocate costs (salary/wages, benefits, travel, etc.) among the funding sources. Below are examples of ways an ECIA board may fund ECIA personnel/staff and cost allocation strategies.

Personnel/Staff (director and support staff) job duties are only ECI and funded only with ECI dollars:

If...	Then...						
A. ECIA staff are only paid out of School Ready – Quality Improvement funds...	There is no requirement to complete a personnel activity report or other appropriate documentation.						
B. ECIA staff are paid only out of Early Childhood – Administrative and School Ready – Administrative funds...	<p>The board must allocate costs based on the relative benefits to each funding source. One methodology the board may use is a percentage of the total funds expended for that funding source in the previous year relative to the total ECI funds expended that same year. These percentages are then applied to the subsequent year’s personnel/staff costs.</p> <p><i>Example: In state fiscal ‘xx,’ the annual report financial reports indicated the following total expenditures:</i></p> <table style="margin-left: 40px;"> <tr> <td><i>Early Childhood total expenditures</i></td> <td style="text-align: right;"><i>\$234,548.22</i></td> </tr> <tr> <td><i>School Ready total expenditures</i></td> <td style="text-align: right;"><i><u>\$522,205.17</u></i></td> </tr> <tr> <td></td> <td style="text-align: right;"><i>756,753.39</i></td> </tr> </table> <p><i>Early Childhood is 31% of total expenditures</i> <i>School Ready is 69% of total expenditures</i></p> <p><i>The board applies these same percentages for ECIA</i></p>	<i>Early Childhood total expenditures</i>	<i>\$234,548.22</i>	<i>School Ready total expenditures</i>	<i><u>\$522,205.17</u></i>		<i>756,753.39</i>
<i>Early Childhood total expenditures</i>	<i>\$234,548.22</i>						
<i>School Ready total expenditures</i>	<i><u>\$522,205.17</u></i>						
	<i>756,753.39</i>						

	<i>staff salaries, benefits and expenditures when allocating the costs between the two ECI funding sources.</i>
C. ECIA staff are paid out of Early Childhood – Administrative funds, School Ready – Administrative funds and School Ready – Quality Improvement funds...	The board can pay the amount budgeted out of School Ready – Quality Improvement for ECIA staff. For the remaining amount budgeted and needed to support ECIA staff, the board must allocate costs based on the relative benefits to each funding source. One methodology the board may use is a percentage of the total funds expended for that funding source in the previous year relative to the total ECI funds expended that same year. These percentages are then applied to the subsequent year’s personnel/staff costs. (This is described in example B above.)
D. ECIA staff are paid out of Early Childhood – Administrative and multiple School Ready categories (Administrative, Preschool, Quality Improvement, Other Services)...	ECIA staff must complete a personnel activity report or other appropriate documentation to determine each funding source’s “fair share” of the cost. <i>See Appendix A for examples of personnel activity reports.</i>

Board and Operational Expenses

ECIA boards must assign costs for board and operational expenses among funding sources. It is not appropriate for one funding source to bear the cost when more than one funding source benefits. For example, the board cannot pay the total cost of a financial audit out of Early Childhood funds because both Early Childhood and School Ready funds benefit from an audit. Based on allowable uses within each funding source, this section of the tool provides guidance for board and operational expenses separately.

Board Expenses

Examples of board expenses are fiscal agent fees, board liability insurance, audit costs, attorney fees, costs associated with board meetings, etc. With the exception of audit costs, ECIA boards can only use Early Childhood and School Ready Administration funds to pay for these expenses. For audit costs, if the amount of administration funds available is insufficient to cover the cost of the audit, the board can also use School Ready program funds to pay for audit costs.

ECIA boards that manage ONLY ECI funds: If the ECIA board only manages ECI funds, the board must allocate costs based on the relative benefits to each funding source. One methodology the board may use is a percentage of the total funds expended for that funding source in the previous year relative to the total ECI funds expended that same year. These percentages are then applied to the subsequent year’s board expenses.

Example: In state fiscal ‘xx,’ the annual report financial reports indicated the following total expenditures:

<i>Early Childhood total expenditures</i>	<i>\$234,548.22</i>
<i>School Ready total expenditures</i>	<i><u>\$522,205.17</u></i>
	<i>756,753.39</i>

Early Childhood is 31% of total expenditures

School Ready is 69% of total expenditures

Subsequent year's board expenses:

Expense	Billed Amount	Early Childhood (31%)	School Ready (69%)
<i>Fiscal agent fees</i>	<i>\$6,000.00</i>	<i>\$1,860.00</i>	<i>\$4,140.00</i>
<i>Liability insurance</i>	<i>\$1,655.00</i>	<i>\$513.05</i>	<i>\$1,141.95</i>
<i>Board meeting expenses</i>	<i>\$1,500.00</i>	<i>\$465.00</i>	<i>\$1,035.00</i>
<i>Audit costs</i>	<i>\$2,500.00</i>	<i>\$775.00</i>	<i>\$1,725.00</i>

ECIA boards that manage ECI and other funds: The board must follow the requirements of the other funding sources regarding cost allocation. ECIA boards can only apply the guidance provided in this tool to the ECI funds.

Operational Expenses

Examples of operational expenses are rent, utilities, telephone, computer services, leases, office supplies, etc.

ECIA boards that manage ONLY ECI funds: Refer to the table in the staff/personnel section of this tool for strategies to cost allocate operational expenses.

ECIA boards that manage ECI and other funds: The board must follow the requirements of the other funding sources regarding cost allocation. ECIA boards can only apply the guidance provided in this tool to the ECI funds.

NOTE: Iowa laws limits the amount of administration funds available to boards to five percent (5%) of the Early Childhood contract amount and three percent (3%) of the School Ready contract amount. Since there is a limited amount of funds available, some boards may expend all of the funds available within the Administration category for a funding source (for example, Early Childhood funds). When the board has expended all the funds available from that funding source (for example, Early Childhood – Administration funds), the board applies the same cost allocation principals to the remaining funding sources that benefit from the service/activity.

APPENDIX A
Personnel Activity Report

Name: [Click here to enter text.](#)

Title: [Click here to enter text.](#)

Activity Period: [Click here to enter text.](#)

Regular Length of Day (from/to): [Click here to enter text.](#)

INDIRECT ACTIVITY/ADMINISTRATION	
10	General office activities
11	Respond to phone, email and in-person inquires
20	Preparation for Board-related activities
21	Board and committees of the Board meetings, etc. (includes travel time)
22	Regional and statewide meetings, etc. (includes travel time)
23	Prepare and respond to reporting requirements (annual report, community needs assessment, etc.)
24	Fiscal-related activities (processing invoices/claims, consulting with fiscal agent, preparing reports, etc.)
25	Contract-related activities (activities associated with RFPs and contracts, monitoring, meetings/consultation with contractors/service providers – includes travel time, etc.)
30	Training
31	Lunch break
32	Paid leave

ACTIVITY CODES	
50	Community collaborations/system building/strategic planning
51	Preschool scholarship coordination
52	Child care scholarship coordination
53	Family support services (direct services)
54	Child care support services (direct services)

Example #1

Starting Time: [Click here to enter text.](#)

Total Boxes Completed: [Click here to enter text.](#)

Check if not a work day:

Ending Time: [Click here to enter text.](#)

Day 1 (month/day/year): [Click here to enter text.](#)

7am 7:15	7:15 7:30	7:30 7:45	7:45 8:00		8:00 8:15	8:15 8:30	8:30 8:45	8:45 9:00		9:00 9:15	9:15 9:30	9:30 9:45	9:45 10:00		10:00 10:15	10:15 10:30	10:30 10:45	10:45 11:00		11:00 11:15	11:15 11:30	11:30 11:45	11:45 12:00		12pm 12:15	12:15 12:30	12:30 12:45	12:45 1:00	

1:00 1:15	1:15 1:30	1:30 1:45	1:45 2:00		2:00 2:15	2:15 2:30	2:30 2:45	2:45 3:00		3:00 3:15	3:15 3:30	3:30 3:45	3:45 4:00		4:00 4:15	4:15 4:30	4:30 4:45	4:45 5:00		5:00 5:15	5:15 5:30	5:30 5:45	5:45 6:00		6:00 6:15	6:15 6:30	6:30 6:45	6:45 7:00	

7:00 7:15	7:15 7:30	7:30 7:45	7:45 8:00		8:00 8:15	8:15 8:30	8:30 8:45	8:45 9:00		9:00 9:15	9:15 9:30	9:30 9:45	9:45 10:00

Starting Time: [Click here to enter text.](#)

Total Boxes Completed: [Click here to enter text.](#)

Check if not a work day:

Ending Time: [Click here to enter text.](#)

Day 2 (month/day/year): [Click here to enter text.](#)

7am 7:15	7:15 7:30	7:30 7:45	7:45 8:00		8:00 8:15	8:15 8:30	8:30 8:45	8:45 9:00		9:00 9:15	9:15 9:30	9:30 9:45	9:45 10:00		10:00 10:15	10:15 10:30	10:30 10:45	10:45 11:00		11:00 11:15	11:15 11:30	11:30 11:45	11:45 12:00		12pm 12:15	12:15 12:30	12:30 12:45	12:45 1:00	

1:00 1:15	1:15 1:30	1:30 1:45	1:45 2:00		2:00 2:15	2:15 2:30	2:30 2:45	2:45 3:00		3:00 3:15	3:15 3:30	3:30 3:45	3:45 4:00		4:00 4:15	4:15 4:30	4:30 4:45	4:45 5:00		5:00 5:15	5:15 5:30	5:30 5:45	5:45 6:00		6:00 6:15	6:15 6:30	6:30 6:45	6:45 7:00	

7:00 7:15	7:15 7:30	7:30 7:45	7:45 8:00		8:00 8:15	8:15 8:30	8:30 8:45	8:45 9:00		9:00 9:15	9:15 9:30	9:30 9:45	9:45 10:00

Starting Time: [Click here to enter text.](#)

Total Boxes Completed: [Click here to enter text.](#)

Check if not a work day:

Ending Time: [Click here to enter text.](#)

Day 3 (month/day/year): [Click here to enter text.](#)

7am 7:15	7:15 7:30	7:30 7:45	7:45 8:00		8:00 8:15	8:15 8:30	8:30 8:45	8:45 9:00		9:00 9:15	9:15 9:30	9:30 9:45	9:45 10:00		10:00 10:15	10:15 10:30	10:30 10:45	10:45 11:00		11:00 11:15	11:15 11:30	11:30 11:45	11:45 12:00		12pm 12:15	12:15 12:30	12:30 12:45	12:45 1:00	

1:00 1:15	1:15 1:30	1:30 1:45	1:45 2:00		2:00 2:15	2:15 2:30	2:30 2:45	2:45 3:00		3:00 3:15	3:15 3:30	3:30 3:45	3:45 4:00		4:00 4:15	4:15 4:30	4:30 4:45	4:45 5:00		5:00 5:15	5:15 5:30	5:30 5:45	5:45 6:00		6:00 6:15	6:15 6:30	6:30 6:45	6:45 7:00	

7:00 7:15	7:15 7:30	7:30 7:45	7:45 8:00		8:00 8:15	8:15 8:30	8:30 8:45	8:45 9:00		9:00 9:15	9:15 9:30	9:30 9:45	9:45 10:00

Starting Time: Click here to enter text.

Total Boxes Completed: Click here to enter text. Check if not a work day:

Ending Time: Click here to enter text.

Day 4 (month/day/year): Click here to enter text.

7am 7:15	7:15 7:30	7:30 7:45	7:45 8:00		8:00 8:15	8:15 8:30	8:30 8:45	8:45 9:00		9:00 9:15	9:15 9:30	9:30 9:45	9:45 10:00		10:00 10:15	10:15 10:30	10:30 10:45	10:45 11:00		11:00 11:15	11:15 11:30	11:30 11:45	11:45 12:00		12pm 12:15	12:15 12:30	12:30 12:45	12:45 1:00

1:00 1:15	1:15 1:30	1:30 1:45	1:45 2:00		2:00 2:15	2:15 2:30	2:30 2:45	2:45 3:00		3:00 3:15	3:15 3:30	3:30 3:45	3:45 4:00		4:00 4:15	4:15 4:30	4:30 4:45	4:45 5:00		5:00 5:15	5:15 5:30	5:30 5:45	5:45 6:00		6:00 6:15	6:15 6:30	6:30 6:45	6:45 7:00

7:00 7:15	7:15 7:30	7:30 7:45	7:45 8:00		8:00 8:15	8:15 8:30	8:30 8:45	8:45 9:00		9:00 9:15	9:15 9:30	9:30 9:45	9:45 10:00

Starting Time: Click here to enter text.

Total Boxes Completed: Click here to enter text. Check if not a work day:

Ending Time: Click here to enter text.

Day 5 (month/day/year): Click here to enter text.

7am 7:15	7:15 7:30	7:30 7:45	7:45 8:00		8:00 8:15	8:15 8:30	8:30 8:45	8:45 9:00		9:00 9:15	9:15 9:30	9:30 9:45	9:45 10:00		10:00 10:15	10:15 10:30	10:30 10:45	10:45 11:00		11:00 11:15	11:15 11:30	11:30 11:45	11:45 12:00		12pm 12:15	12:15 12:30	12:30 12:45	12:45 1:00

1:00 1:15	1:15 1:30	1:30 1:45	1:45 2:00		2:00 2:15	2:15 2:30	2:30 2:45	2:45 3:00		3:00 3:15	3:15 3:30	3:30 3:45	3:45 4:00		4:00 4:15	4:15 4:30	4:30 4:45	4:45 5:00		5:00 5:15	5:15 5:30	5:30 5:45	5:45 6:00		6:00 6:15	6:15 6:30	6:30 6:45	6:45 7:00

7:00 7:15	7:15 7:30	7:30 7:45	7:45 8:00		8:00 8:15	8:15 8:30	8:30 8:45	8:45 9:00		9:00 9:15	9:15 9:30	9:30 9:45	9:45 10:00

Count the number of boxes for each activity code identified during the time study. Transfer this information to the associated Excel document.

I certified that this is an accurate reflection of my activities during the time period of this personnel activity report.

Signature of Personnel/Staff: _____

Date: _____

Signature of Supervisor: _____

Date: _____

Example #2

Starting Time: [Click here to enter text.](#)

Day 1 (month/day/year): [Click here to enter text.](#)

Ending Time: [Click here to enter text.](#)

Check if not a work day:

Time	Description of Activity	Activity Code

Starting Time: [Click here to enter text.](#)

Day 2 (month/day/year): [Click here to enter text.](#)

Ending Time: [Click here to enter text.](#)

Check if not a work day:

Time	Description of Activity	Activity Code

Starting Time: Click here to enter text.

Day 3 (month/day/year): Click here to enter text.

Ending Time: Click here to enter text.

Check if not a work day:

Time	Description of Activity	Activity Code

Starting Time: Click here to enter text.

Day 4 (month/day/year): Click here to enter text.

Ending Time: Click here to enter text.

Check if not a work day:

Time	Description of Activity	Activity Code

Starting Time: Click here to enter text.

Day 5 (month/day/year): Click here to enter text.

Ending Time: Click here to enter text.

Check if not a work day:

Time	Description of Activity	Activity Code

I certified that this is an accurate reflection of my activities during the time period of this personnel activity report.

Signature of Personnel/Staff: _____

Date: _____

Signature of Supervisor: _____

Date: _____

Example #3

NAME:								
Quarter: xx FY 'xx								
	Enter	Enter	Enter	MISC &	PAID	UNPAID		
	<u>Activity</u>	<u>Activity</u>	<u>Activity</u>	<u>ADMIN</u>	<u>TIME OFF</u>	<u>TIME OFF</u>	<u>TOTAL</u>	<u>NOTES</u>
PAY PERIOD #1								
Day and date							0	
Day and date							0	
Day and date							0	
Day and date							0	
Day and date							0	
Day and date							0	
Day and date							0	
Day and date							0	
Day and date							0	
Day and date							0	
PAY PD.#1 TOTAL	0	0	0	0	0	0	0	
Pay period #2								
Day and date							0	
Day and date							0	
Day and date							0	
Day and date							0	
Day and date							0	
Day and date							0	
Day and date							0	
Day and date							0	
Day and date							0	
PAY PD.#2 TOTAL	0	0	0	0	0	0	0	

I certified that this is an accurate reflection of my activities during the time period of this personnel activity report.

Employee Signature

Date

Supervisor Signature

Date

Personnel Activity Report Instructions:

- 1) Must account for 100% of **paid** time.
- 2) Record time rounded to nearest quarter hour.
- 3) Paid breaks (including paid lunch break) should be recorded in the paid leave column.
- 4) Travel time should be coded according to the purpose of the trip.
- 5) General and administrative time (time spent on activities that are general in nature or benefit all programs worked on) should be recorded in the misc & admin column.
- 6) Meetings or trainings that are particular to one program should be recorded in that program's column. General and administrative meetings/trainings should be recorded in the misc & admin column.
- 7) Record hours on a timely basis (federal requirement to complete form at least monthly).
- 8) Print out and sign completed form at end of each month, according to provided template.

In the notes section, provide a brief narrative of the activities/tasks completed for each program. Documentation is needed so, if audited, activities charged to each program can be readily identified.