

Appendix C: Administrative Costs Defined by the Tennessee Department of Education

Which costs are administrative?

Calculating administrative costs depends on how administrative costs are defined. Various organizations that have analyzed administrative costs have not used the same definition so consequently have somewhat different results.

Administrative costs reported in the Department of Education's Annual Statistical Report also include items that several people interviewed stated are not administrative costs and should not be subject to alteration or adjustment by the funding body. These include the trustee's commission, self-insurance and workers' compensation. The trustee's commission, for example, is set by Tennessee Code Annotated, Section 8-11-110 and establishes the compensation to be paid to the trustee's office for handling school funds except that Tennessee Code Annotated, Section 49-3-359(f) prohibits the trustee from collecting a fee for state funds generated through the Basic Education Program (BEP). School systems have no control over the amount of this fee and because of the BEP exemption those school systems that receive lower proportions of their total funding from the state through the BEP would pay higher trustees' commissions, thus skewing the calculation of administrative costs as a percentage of the total.

A definition of administrative costs is summarized in the Department of Education, Office of Local Finance, *Standardized System of Accounting and Reporting* issued July 1, 2001. (In April 2014, the Executive Director of Local Finance for the Department of Education confirmed that the manual is still in effect. It defines administration as

General Administration: (includes the Board of Education and Office of the Director of Schools)

Board of Education

- Personal Services (Secretary to Board, Other Salaries and Wages, Board and Committee Member Fees, In-service training)
- Benefits (Social Security, State Retirement, Life Insurance, Medical Insurance, Dental Insurance, Unemployment Compensation Employer Medicare, Other Fringe Benefits.)
- Contracted Services (Audit Services, Dues and Memberships, Legal Services, Travel, Other Contracted Services)
- Supplies and Materials (Other Supplies and Materials)
- Other Charges (Judgments, Liability Insurance, Premium on Corporate Surety Bonds, Trustee Commissions, Workmen's Compensation Insurance, Criminal Investigation of Applicants, Refund to Applicant for TBI Criminal Investigation, Other Charges)

Office of the Director of Schools

- Personal Services (County Official/Administrative Officer, Assistants, Career Ladder Program, Secretaries, Clerical Personnel, Other Salaries and Wages, In-Service Training)
- Benefits (Social Security, State Retirement, Life Insurance, Medical Insurance, Dental Insurance, Unemployment Compensation, Employer Medicare, Other Fringe Benefits)
- Contracted Services (Communication, Dues and Memberships, Maintenance and Repair Services—Equipment, Postal Charges, Travel, Other Contracted Services)
- Supplies and Materials
- Other Charges (In-Service/Staff Development, Other Charges)
- Capital Outlay (Administration Equipment)

School Administration

Office of the Principal

- Personal Services (Principals, Career Ladder Program, Accountants/Bookkeepers, Assistant Principals, Secretaries, Clerical Personnel, Other Salaries and Wages, In-Service Training)
- Benefits (Social Security, State Retirement, Life Insurance, Medical Insurance, Dental Insurance, Unemployment Compensation, Employer Medicare, Other Fringe Benefits)
- Contracted Services (Communication, Dues and Memberships, Maintenance and Repair—Equipment, Postal Charges, Travel, Other Contracted Services)
- Supplies and Materials
- Other Charges (In-Service/Staff Development, Other Charges)
- Capital Outlay (Administration Equipment)

Business Administration

Fiscal Services

- Personal Services (Supervisor/Director, Internal Audit Personnel, Accountants/Bookkeepers, Purchasing Personnel, Secretaries, Clerical Personnel, Other Salaries and Wages, In-Service Training)
- Benefits (Social Security, State Retirement, Life Insurance, Medical Insurance, Dental Insurance, Unemployment Compensation, Employer Medicare, Other Fringe Benefits)
- Contracted Services (Data Processing Supplies, Dues and Memberships, Maintenance and Repair Services—Equipment, Travel, Other Contracted Services)
- Supplies and Materials (Data Processing Supplies, Office Supplies, Other Supplies and Materials)

- Other Charges (In-Service/Staff Development, Other Charges)
- Capital Outlay (Administration Equipment)

Central Support Services (includes personnel and technology departments)

- Personal Services (Supervisor, Computer Programmer, Data Processing Personnel, Clerical Personnel, In-Service Training, Other Salaries and Wages)
- Benefits (Social Security, State Retirement, Life Insurance, Medical Insurance, Dental Insurance, Unemployment Compensation, Employer Medicare, Other Fringe Benefits.)
- Contracted Services (Consultants, Data Processing Services, Operating Lease Payments, Maintenance and Repair Service—Equipment, Travel, Other Contracted Services.
- Supplies and Materials (Data Processing Supplies, Office Supplies, Other Supplies and Materials)
- Other Charges (In-Service/Staff Development, Other Charges)
- Capital Outlay (Administration Equipment, Data Processing Equipment, Other Equipment)