APR 11 2006

SUBJECT: Calculations for Space in Government Owned Buildings for use in Food and Nutrition Service Programs

TO: Food Stamp Directors
Financial Management Directors
All Regions

This memorandum provides a standard cost calculation that may be used in lieu of using actual depreciation cost data to charge the cost of government owned space by Food and Nutrition Service (FNS) grantees. This method is in response to requests from Food Stamp Program (FSP) grantees for a more simplified, less labor-intensive approach to determining these costs.

Office of Management and Budget (OMB) Circulars require grantees to use depreciation or use allowances for computation of charges for space in government owned buildings. The current OMB Circulars allow construction of a use allowance for space that is fully depreciated; thus we have computed standard costs per square foot, with the help of financial staff of the Cooperative Extension Service.

Use of this standard cost is optional. A grantee may use actual data if available and preferred. In addition, the grantee may use the standard deduction for space charges while using actual expenses for maintenance and operations and they may also use part of the standard cost such as the space or maintenance or utilities costs separately. The State must note in its State Plan how it derived its cost calculations.

Enclosed are detailed computations to show how FNS derived a standard hourly cost per square foot for both the space and for maintenance and operations of that space. A large number of assumptions were necessarily made, such as the number of days that the building was open, and the number of hours per day that the space was available for use. These factors were considered so that all users paid for a portion of the unused time. The total yearly cost was prorated per day and then per hour.

These calculations resulted in an hourly charge for space of .002041 per square foot. Using this standard allowance, an average classroom of 1000 square feet would result in an hourly charge of $2.04. A similar calculation was done for maintenance and utility

costs. This amount was determined to be .003265 per hour per square foot. For the same 1,000 square feet of space, there would be a $3.27 charge. A total of $5.31 ($2.04 + $3.27) per hour could be charged for 1,000 square feet of space in use for one hour.

Please share this information with Food Stamp State agencies and other FNS State agencies as appropriate. An electronic copy of this document will be sent to you.

Lael Lubing
Director
Grants Management

Enclosure

Formulas and Examples

Standard Space Cost

[($200/sq ft replacement / 40 yr depreciation) = $5] + [$8 O&M/sq ft] = $13/sq ft/yr

Ongoing Use Space Calculation Formula (example – county buildings):

Actual use formula based on hours:
Actual square footage x days/year x hours/day x constant = $ amount allowed for space/year

Example*

1,000 sq ft x 50 days/yr x 8 hours/day x 0.005306 = $2,122.40 per year

*See next page for calculation of hourly rate constant

Actual use formula based on FTEs:
Actual square footage x (total FSNE FTEs/total FTEs) x $13 standard space allowance = $ amount allowed for space/year

Example

1,000 sq ft x (1.35 FSNE FTEs/4.5 total FTEs) x $13 = $3,900 per year

Incidental Use Space Calculation option (example schools)

Actual use formula based on space standard (1,000 sq ft classroom)
Number of standard space units x hours/year x hourly rate standard = $ amount allowed for space

Example

3 classrooms x 12 hours/year/classroom x $5.30/hour = $190.80per year

Calculation of constant using an hourly rate

A. Space cost factor = ($5 x 0.004081633 x 0.1) = 0.002041 cost/sq ft/hr

1) cost of building space used = $200/sq ft x actual sq ft used / 40 years useful life

   $200/sq ft x 1 sq ft / 40 years = $5/year

2) prorated days used

   1 day / 245 days open = .004081633

3) prorated hours/day used

   1 hour/day / 10 hours open = 0.1

B. O&M cost factor = ($8 x 0.004081633 x 0.1) = 0.03265 cost/sq ft/ hr

1) average O&M cost/sq ft/yr = $8/sq ft/yr

   $8/sq ft / yr x 1 sq ft/yr = $8/yr

4) prorated days used

   1 day / 245 days open = .004081633

5) prorated hours/day used

   1 hour/day / 10 hours open = 0.1

C. Space and O&M combined constant = 0.002041 + 0.003265 = 0.005306

1) A + B = C