



Budget / Claim 'Indirect Costs' under IDEA Formula Grants

Last Updated 2/4/2026, ADA Title II compliant

Indirect Cost Recovery under IDEA

Indirect cost recovery is allowed under the IDEA formula flow-through and preschool grants (including the optional set-asides for CEIS and Title I Schoolwide) up to the LEA's established restricted indirect rate.

LEAs may budget for indirect at any time during the grant period. Once indirect funds have been approved in the budget, any expenditures claimed will generate an indirect reimbursement amount available for claiming. LEAs always have the option to claim less than the generated amount available to claim.

To budget for indirect, click on the "Indirect" hyperlink located on the menu within the preschool, flow-through, CEIS or Title I Schoolwide budget (indirect is budgeted independently within these programs). The following screen will appear:

Amount budgeted for Flow-through (excludes indirect):	\$3,920,612.00	A
Amount excluded from indirect calculation (capital objects):	\$100,000.00	B
Amount against which indirect costs may be calculated (base):	\$3,820,612.00	C
Restricted Indirect Rate:	4.50 %	D
Maximum Indirect Amount:	\$171,927.54	E
Amount available for indirect cost recovery:	\$150,034.50	F
Amount to budget for indirect cost recovery:	\$150,000.00	G
Effective Indirect Rate (indirect budgeted / base):	3.93 %	H
Indirect claimed to date:	\$0.00	I

A	Amount budgeted for Flow-through (excludes indirect): \$3,920,612.00 This is the amount of the allocation currently budgeted. It is not the amount of funds available (including carryover), which may be greater than what is budgeted.
B	Amount excluded from indirect calculation (capital objects): \$100,000.00 Items that are budgeted as capital (500 objects) must be removed from the calculation.
C	Amount against which indirect costs may be calculated (base): \$3,820,612.00 This is the base amount in which the restricted indirect rate is calculated. It is the amount of the allocation budgeted less any amount budgeted for capital objects.
D	Restricted Indirect Rate: 4.50% This is the restricted indirect rate determined by DPI. This rate may change during the year due to the timing of the budgets. The LEA's prior year restricted indirect rate is used for the current fiscal year until the updated rate has been established. Once the final rate is determined, the software is updated. This may result in the need for the LEA to submit a budget amendment if the current rate is lower than the prior year's rate.
E	Maximum Indirect Amount: \$171,927.54 This is the maximum amount the LEA may budget for indirect cost recovery. It is the base amount (\$3,820,612) multiplied by the restricted indirect rate (4.50%). The amount the LEA may budget for indirect is dependent on the available funds not currently allocated (F).
F	Amount available for indirect cost recovery: \$150,034.50 This is the amount of funds the LEA has available but not yet budgeted. Although the LEA in this example has a maximum of \$171,927 for indirect cost recovery, it has budgeted all but \$150,034 of its available funds on direct costs. Thus only \$150,034 is available to allocate for indirect.

G	Amount to budget for indirect cost recovery: \$150,000.00 In this field, the LEA determines how much it chooses to allocate for indirect cost recovery. The LEA may budget any amount up to its available funds (which will never be greater than the maximum indirect amount available). Of the \$150,034 available, the LEA chose to budget \$150,000 for indirect cost recovery. This amount is typed into the field and then the "Save" button must be clicked.
H	Effective Indirect Rate (indirect budgeted / base): 3.93% The LEA's restricted indirect rate is 4.50% The LEA had the option of budgeting up to \$171,927 on indirect cost recovery. The LEA chose to budget \$150,000 for indirect cost recovery. This creates an "Effective Indirect Rate" of 3.93%. The Effective Indirect Rate will be used during the claim process.
I	Indirect claimed to date: \$0.00 This field identifies the amount of indirect cost recovery claimed to the date. The amount budgeted for indirect cost recovery cannot be less than the amount claimed to date.

To claim indirect, there must be an amount in the 'Amount to Budget for Indirect Cost Recovery' in the last approved budget. Once established, the effective indirect rate is automatically applied to all future claims.

The rate is applied against all claimed expenditures except items claimed under capital objects (500s) and will appear on the last expenditure line of the claim. There is no function or object assigned to indirect cost recovery on the claim.

When the Effective Indirect Rate is Reduced

If the effective indirect rate is reduced between claims, an adjustment will be made in the next claim. An effective indirect rate may decrease if additional funds are budgeted after the LEA has an approved budget amount for indirect costs. In the image below, the LEA has \$669,967 available in flow-through funds, but budgets only \$202,393. The amount available for indirect is based on the amount budgeted, and the LEA requests the whole amount (making the effective indirect rate 2.51%).

Amount budgeted for Flow-through (excludes indirect):	\$202,393.00
Amount excluded from indirect calculation (capital objects):	\$0.00
Amount against which indirect costs may be calculated (base):	\$202,393.00
Restricted Indirect Rate:	2.51 %
Maximum Indirect Amount:	\$5,080.06
Amount available for indirect cost recovery:	\$5,080.06
<i>Amount to budget for indirect cost recovery:</i>	\$5,080.06
Effective Indirect Rate (indirect budgeted / base):	2.51 %

In a future budget, example image below, the LEA adds an additional \$300,000 in budgeted costs, but does not update the amount requested for indirect costs. This will lower the effective indirect rate from 2.51% to 1.01%.

Amount budgeted for Flow-through (excludes indirect):	\$502,393.00
Amount excluded from indirect calculation (capital objects):	\$0.00
Amount against which indirect costs may be calculated (base):	\$502,393.00
Restricted Indirect Rate:	2.51 %
Maximum Indirect Amount:	\$12,610.06
Amount available for indirect cost recovery:	\$12,610.06
<i>Amount to budget for indirect cost recovery:</i>	\$5,080.06
Effective Indirect Rate (indirect budgeted / base):	1.01 %

If the LEA has already submitted claims applying the 2.51% effective indirect rate, the next claim will automatically adjust to address indirect amounts previously over claimed.

Recording Indirect

Because funds received through IDEA flow-through and preschool indirect cost recovery are for all programs, not just special education, LEAs need to account for a transfer of revenue from Fund 27 to Fund 10 in the following manner:

Record Indirect Revenue Received from DPI

Fund	Type	Source	Function	Debit	Credit
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27	B		711100	\$XX.XX	
27	R	730			\$XX.XX

Record Indirect Cost Transfer Between Funds

Fund	Type	Object/Source	Function	Project	Debit	Credit
27	E	810	418000	34X	\$XX.XX	
27	B		711100			\$XX.XX

10	B		711100		\$XX.XX	
10	R	127	418000			\$XX.XX

IDEA's Coordinated Early Intervening Services (CEIS) and Title I Set-Aside expenditures and revenue are coded to Fund 10, so any indirect claimed for those projects would not need to be transferred into another fund.