

Budget / Claim 'Indirect Costs' under Title II-A Formula Grants

Last Updated 2/25/2020

Indirect cost recovery is allowed under the Title II-A formula grant up to the LEA's established restricted indirect rate. Under Title II-A, LEAs are also allowed to reserve and budget a portion of their allocation for direct administration. Costs covered by Administration include direct grant related costs such as salaries and benefits of program coordinators and program support staff. TII-A direct administration costs are only allowable to be budgeted from the public share of equitable participation within the public subbudget. These costs must be reasonable and necessary, are individually budgeted under the Administration program type, and are not considered part of the amount budgeted for indirect (limited to the LEA's restricted indirect rate).

To budget for indirect, click on the "Indirect" hyperlink located on the menu within the Title II-A budget. The following screen will appear:

Amount budgeted for Title II-A (excludes indirect):	\$31,440.00	A
Amount excluded from indirect calculation (capital objects):	\$0.00	B
Amount against which indirect costs may be calculated (base):	\$31,440.00	C
Restricted Indirect Rate:	4.93 %	D
Maximum Indirect Amount:	\$1,549.99	E
Amount available for indirect cost recovery:	\$441.00	F
Amount to budget for indirect cost recovery:	\$441.00	G
Effective Indirect Rate (indirect budgeted / base):	1.40 %	H
Indirect claimed to date:	\$0.00	I

A	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	Items that are budgeted as capital (500 objects) must be removed from the calculation.
C	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	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	This is the maximum amount the LEA may budget for indirect cost recovery. It is the base amount (\$31,440) multiplied by the restricted indirect rate (4.93%). The amount the LEA may budget for indirect is dependent on the available funds not currently allocated (F).
F	This is the amount of funds the LEA has available but not yet budgeted. Although the LEA in this example has a maximum of \$1,549 for indirect cost recovery, it has budgeted all but \$441 of its available funds on direct costs. Thus only \$441 is available to allocate for indirect.
G	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). In this example, the LEA chose to budget the \$441 available for indirect cost recovery. This amount is typed into the field and then the "Save" button must be clicked.
H	The LEA's restricted indirect rate is 4.93% The LEA had the option of budgeting up to \$1,549 on indirect cost recovery. The LEA chose to budget \$441 for indirect cost recovery. This creates an "Effective Indirect Rate" of 1.40%. The Effective Indirect Rate will be used during the claim process.
I	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 example **A**, the LEA has \$31,881 available in Title II-A funds, but budgets only \$27,743. The amount available for indirect is based on the amount budgeted, and the LEA requests the whole amount (making the effective indirect rate 4.93%).

A	Amount budgeted for Title II-A (excludes indirect):	\$26,440.00
	Amount excluded from indirect calculation (capital objects):	\$0.00
	Amount against which indirect costs may be calculated (base):	\$26,440.00
	Restricted Indirect Rate:	4.93 %
	Maximum Indirect Amount:	\$1,303.49
	Amount available for indirect cost recovery:	\$1,303.49
	Amount to budget for indirect cost recovery:	\$1,303.49
	Effective Indirect Rate (indirect budgeted / base):	4.93 %
	Indirect claimed to date:	\$0.00

In a future budget (**B**), the LEA adds an additional \$4,000 to the amount budgeted, but does not update the amount requested for indirect costs. This will lower the effective indirect rate from 4.93% to 4.28%. If the LEA has already submitted claims applying the 4.93% effective indirect rate, the next claim will automatically adjust to address indirect amounts previously over claimed (example on next page).

B	Amount budgeted for Title II-A (excludes indirect):	\$30,440.00
	Amount excluded from indirect calculation (capital objects):	\$0.00
	Amount against which indirect costs may be calculated (base):	\$30,440.00
	Restricted Indirect Rate:	4.93 %
	Maximum Indirect Amount:	\$1,500.69
	Amount available for indirect cost recovery:	\$1,441.00
	<i>Amount to budget for indirect cost recovery:</i>	\$1,303.49
	Effective Indirect Rate (indirect budgeted / base):	4.28 %
	Indirect claimed to date:	\$0.00

Recording Indirect

If an LEA chooses to budget and claim indirect cost recovery, the coding is simple: there is none. In cases where indirect is recovered, the subrecipient will have a disparity between expenditures identified as grant funded (by the use of the project code) and the revenue received from the grant funding source - the difference reflects the indirect amount recovered. For example, an LEA will book \$25,000 in project 365 expenditures in fund 10 and \$30,000 in source 730. The \$5,000 difference between expenditures and revenue is the amount of indirect recovery the LEA received through the Title II-A grant.