

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

Last Updated 2/25/2020

Indirect cost recovery is allowed under the Title III-A formula grant up to the LEA's established restricted indirect rate. Under Title III-A, LEAs are also allowed to budget up to 2% 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. 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 III-A budget. The following screen will appear:

Amount budgeted for Public (excludes indirect):	\$612,589.00	<b>A</b>
Amount excluded from indirect calculation (capital objects):	\$0.00	<b>B</b>
Amount against which indirect costs may be calculated (base):	\$612,589.00	<b>C</b>
Restricted Indirect Rate:	9.49 %	<b>D</b>
Base * Restricted Indirect Rate:	\$58,134.70	<b>E</b>
Amount available for indirect cost recovery:	\$58,134.70	<b>F</b>
Amount to budget for indirect cost recovery:	\$40,000.00	<b>G</b>
Effective Indirect Rate (indirect budgeted / base):	6.53 %	<b>H</b>
Indirect claimed to date:	\$0.00	<b>I</b>

<b>A</b>	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>B</b>	Items that are budgeted as capital (500 objects) must be removed from the calculation.

<b>C</b>	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.
<b>D</b>	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.
<b>E</b>	This is the maximum amount the LEA may budget for indirect cost recovery. It is the base amount multiplied by the restricted indirect rate. The amount the LEA may budget for indirect is dependent on the available funds not currently allocated (F).
<b>F</b>	This is the amount of funds the LEA has available but not yet budgeted. In this example, the LEA has not budgeted all of its available funds on direct costs and so the amount available for indirect is at the maximum of \$58,134.
<b>G</b>	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 \$40,000 for indirect cost recovery. This amount is typed into the field and then the "Save" button must be clicked.
<b>H</b>	The LEA's restricted indirect rate is 9.49% The LEA had the option of budgeting up to \$58,134 on indirect cost recovery. The LEA chose to budget \$40,000 for indirect cost recovery. This creates an "Effective Indirect Rate" of 6.53%. The Effective Indirect Rate will be used during the claiming. process.
<b>I</b>	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.

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

### **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 391 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 III-A grant.