

June 15, 2020

Dear School District Administrator:

***Purpose of Indirect Cost Rates***

The U.S. Office of Management and Budget published Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (referred to as the Uniform Grants Guidance). It requires local government agencies to establish an approved indirect cost allocation plan and rate to recover indirect costs related to federal grants and contracts. Each state department of education must have a local education agency (LEA) indirect cost rate plan approved by its federal cognizant agency to assure that LEAs have the capability to claim indirect costs in federally assisted programs if the district elects to do so. The LEA indirect cost plan for the period July 1, 2017 through June 30, 2022 has been recently reviewed and approved by the U.S. Department of Education and is available for printing on our DPI internet website at: <https://dpi.wi.gov/sfs/aid/federal/indirect-costs>.

***Indirect Cost Rate Computation for 2020-21***

The unadjusted indirect cost rate computation for the year ended June 30, 2021 has been prepared from data taken from the 2018-19 annual report submitted to our department. The calculated rates for all school districts are available for printing on our DPI website at: <https://dpi.wi.gov/sms/fedaids/indirect-costs>. The rate computation using the fixed rate with carry-forward method has also been posted on our website for all districts. Data from 2018-19 and prior year annual reports are used to compute this rate. The indirect cost plan indicates which expenditure accounts are considered direct costs, restricted indirect costs, and unrestricted indirect costs for the purpose of calculating indirect cost rates.

***Form PI-1161***

Please note that the indirect cost rates shown on the indirect cost rate computation are preliminary only. The preliminary rates may be adjusted by filing Form PI-1161 which is available on our website at: <https://dpi.wi.gov/sms/fedaids/indirect-costs>. If necessary, please complete and submit this form to [indirectcost@dpi.wi.gov](mailto:indirectcost@dpi.wi.gov) by June 30, 2020. Under the department's policy on indirect cost, each LEA has the option to choose either indirect cost reimbursement or direct cost reimbursement on federally assisted grant programs. Form PI-1161 has an optional indirect cost adjustment section to adjust certain 2018-2019 costs, if appropriate. It also has a required "certification by agency official" section to establish indirect cost rates. If there are no adjustments that need to be made to the preliminary rate calculation and you wish to have an official approval letter of your district's final rates please sign and date Form PI-1161 and return it to our department by June 30, 2020. Please contact [indirectcost@dpi.wi.gov](mailto:indirectcost@dpi.wi.gov) with any questions.

Sincerely,

Tim Coulthart, Assistant Director  
School Management Services Team

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