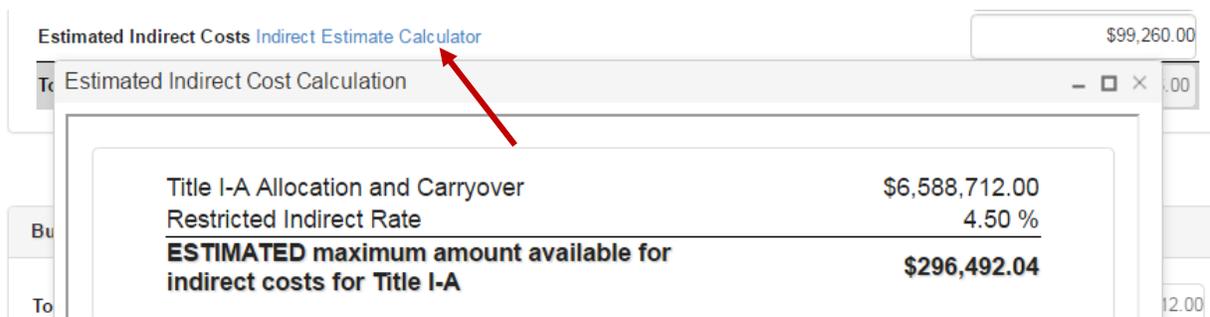


# Budget / Claim 'Indirect Costs' under Title I-A Formula Grants

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Indirect cost recovery is allowed under the Title I-A formula grant up to the LEA's established restricted indirect rate. Under Title I-A, LEAs are also allowed to budget up to 10 percent of their allocation for direct administration. Costs covered by the Administration reservation include *direct* grant related costs such as salaries and benefits of program coordinators and program support staff. The amount recovered by using the restricted indirect rate offsets costs such as payroll and IT support services. An LEA may budget 10 percent of its Title I-A allocation for direct administrative costs as well as the full restricted indirect rate.

If an LEA chooses to recover funds for indirect costs, the amount of indirect is reserved from the total funds available prior to determining eligible Title I school allocations. To set aside funds for indirect recovery, click on the "Plan Reservations" link on the Title I-A budget menu. On the reservation planning screen, a section on estimated indirect costs allows the user to enter an amount:



To assist LEAs in planning for an indirect cost recovery, a pop-up window is available that lists the funds available, the LEA's restricted indirect rate, and the max indirect recovery amount that may be available. The amount for indirect recovery available in this help screen is based on the LEA budgeting the entire amount available with zero funds budgeted in the capital objects section. These two variables impact the amount of funds actually allowed for indirect cost recovery.

Once funds have been set aside through the reservation planning section, LEAs may budget for indirect recovery 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.

The indirect recovery for Title I-A funds is applied to both the instructional and reservations budgets. To budget for indirect, click on the "Indirect" hyperlink located on the menu within either the instructional or the reservations budget.

The following screen will appear:

Amount budgeted for Instructional and Reservations (excludes indirect):	\$3,606,698.00	<b>A</b>
Amount excluded from indirect calculation (capital objects):	\$0.00	<b>B</b>
Amount against which indirect costs may be calculated (base):	\$3,606,698.00	<b>C</b>
Restricted Indirect Rate:	4.50 %	<b>D</b>
Maximum Indirect Amount:	\$162,301.41	<b>E</b>
Amount available for indirect cost recovery:	\$99,260.00	<b>F</b>
Amount to budget for indirect cost recovery:	\$80,000.00	<b>G</b>
Effective Indirect Rate (indirect budgeted / base):	2.22 %	<b>H</b>
Indirect claimed to date:	\$0.00	<b>I</b>

<b>A</b>	This is the amount of the allocation currently budgeted for both instructional and reservations. It is not the amount of funds available (including carryover or funds transferred from Title II-A), 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 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 (\$3,606,698) multiplied by the restricted indirect rate (4.50 percent). 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. Although the LEA in this example has a max of \$162,301.41 for indirect cost recovery, it has budgeted all but \$99,260 of its available funds on direct costs. Thus only \$99,260 is available to allocate for indirect.
<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 max indirect available). Of the \$99,260 available, the LEA chose to budget \$80,000 for indirect cost recovery. This amount is typed into the field and then the "Save" button must be clicked to calculate.
<b>H</b>	The LEA's restricted indirect rate is 4.50 percent. The LEA had the option of budgeting up to \$162,301.41 on indirect cost recovery. The LEA chose to budget \$80,000 for indirect cost recovery. This creates an "Effective Indirect Rate" of 2.22 percent. The Effective Indirect Rate will be used during the claim 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 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 \$6,588,712 available in Title I-A funds, but budgets only \$3,606,698. The amount available for indirect is based on the amount budgeted, and the LEA requests the whole amount (making the effective indirect rate 2.75 percent).

<b>A</b>	Amount budgeted for Instructional and Reservations (excludes indirect):	\$3,606,698.00
	Amount excluded from indirect calculation (capital objects):	\$0.00
	Amount against which indirect costs may be calculated (base):	\$3,606,698.00
	Restricted Indirect Rate:	4.50 %
	Maximum Indirect Amount:	\$162,301.41
	Amount available for indirect cost recovery:	\$99,260.00
	Amount to budget for indirect cost recovery:	\$99,260.00
	Effective Indirect Rate (indirect budgeted / base):	2.75 %

In a future budget (**B**), the LEA adds an additional \$600,000 to the amount budgeted, but does not update the amount requested for indirect costs. This will lower the effective indirect rate from 2.75 percent to 2.36 percent.

<b>B</b>	Amount budgeted for Instructional and Reservations (excludes indirect):	\$4,206,698.00
	Amount excluded from indirect calculation (capital objects):	\$0.00
	Amount against which indirect costs may be calculated (base):	\$4,206,698.00
	Restricted Indirect Rate:	4.50 %
	Maximum Indirect Amount:	\$189,301.41
	Amount available for indirect cost recovery:	\$99,260.00
	Amount to budget for indirect cost recovery:	\$99,260.00
	Effective Indirect Rate (indirect budgeted / base):	2.36 %

If the LEA has already submitted claims applying the 2.75 percent effective indirect rate, the next claim will automatically adjust to address indirect amounts previously over claimed.