

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

Under Title III-A, sub-recipients are allowed to budget up to 2% of its allocation for “Administration.” Costs covered by administration include *direct* grant related costs such as salaries and benefits of program coordinators and program support staff. Indirect cost recovery is also allowed under the Title III-A formula grant up to the sub-recipient’s established restricted indirect rate but not greater than the 2% max set by the administration cap. The amount recovered by using the restricted indirect rate offsets costs such as payroll and IT support. An LEA may budget a combination of administration costs and indirect cost recovery up to 2% of its allocation.

To budget for indirect, click on the “Indirect” hyperlink located on the menu within the Title III-A instructional budget menu. The following screen will appear:

## Direct and Indirect Administrative Cap

Allocation:	\$66,774.00	<b>A</b>
Cap for indirect and direct administrative costs combined:	2.00 %	<b>B</b>
Maximum amount to be claimed for indirect and direct administrative costs combined:	\$1,335.48	<b>C</b>
Amount budgeted for direct administration:	\$750.00	<b>D</b>
Remaining amount available for direct administrative and indirect cost recovery:	\$585.48	<b>E</b>

## Indirect Costs

Amount budgeted for Title III-A (excludes indirect):	\$62,079.00	<b>F</b>
Amount excluded from indirect calculation (capital objects):	\$0.00	<b>G</b>
Amount against which indirect costs may be calculated (base):	\$62,079.00	<b>H</b>
Restricted Indirect Rate:	5.11 %	<b>I</b>
Base * Restricted Indirect Rate:	\$3,172.24	<b>J</b>
Amount available for indirect cost recovery:	\$585.48	<b>K</b>
<i>Amount to budget for indirect cost recovery:</i>	\$585.48	<b>L</b>
Effective Indirect Rate (indirect budgeted / base):	0.94 %	<b>M</b>
Indirect claimed to date:	\$0.00	<b>N</b>

<b>A</b>	This is the amount of the Title III-A allocation.
<b>B</b>	Title III-A sets a 2% cap on a combination of administration and indirect cost recovery.

<b>C</b>	This is the maximum amount the sub-recipient may claim for administration and indirect cost recovery. It is the allocation amount (\$66,744) multiplied by the max rate (2%).
<b>D</b>	This is the amount the sub-recipient has budgeted for administration. The sub-recipient has not budgeted the whole \$750 available under the 2% cap on administration, so may also budget for indirect cost recovery.
<b>E</b>	This is the amount of funds still available under the 2% cap, which may be less than what the sub-recipient would normally be allowed to recover through its restricted indirect rate.
<b>F</b>	This is the amount of the funds currently budgeted.
<b>G</b>	Items that are budgeted as capital (500 objects) must be removed from the calculation.
<b>H</b>	This is the base amount in which the restricted indirect rate is calculated against the amount budgeted.
<b>I</b>	This is the sub-recipient's restricted indirect rate (5.11%).
<b>J</b>	5.11% of the sub-recipient's amount budgeted is \$3,172.
<b>K</b>	However, there is only \$585 remaining under the 2% cap, so the sub-recipient would only be able to budget indirect up to the remaining cap amount.
<b>L</b>	The sub-recipient would enter an amount for indirect cost recovery in this field. The sub-recipient chooses to budget \$585 for indirect cost recovery. This amount is typed into the field and then the "Save" button clicked.
<b>M</b>	The sub-recipient's restricted indirect rate is 5.11%. The sub-recipient had the option of budgeting up to \$585 on indirect cost recovery. The sub-recipient chose to budget the max available amount for indirect cost recovery. This creates an "Effective Indirect Rate" of 0.94% This is the rate that will be used during the claim process to determine the amount of indirect cost reimbursement generated for each payment.
<b>N</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. In example **A**, the LEA budgets \$62,079. The effective indirect rate is based on the amount of indirect budgeted against the base budget amount, in this example 0.94%

<b>A</b>	Amount budgeted for Title III-A (excludes indirect):	\$62,079.00
	Amount excluded from indirect calculation (capital objects):	\$0.00
	Amount against which indirect costs may be calculated (base):	\$62,079.00
	Restricted Indirect Rate:	5.11 %
	Base * Restricted Indirect Rate:	\$3,172.24
	Amount available for indirect cost recovery:	\$585.48
	<i>Amount to budget for indirect cost recovery:</i>	\$585.48
	Effective Indirect Rate (indirect budgeted / base):	0.94 %
	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 0.94% to 0.89%. If the LEA has already submitted claims applying the 0.94% effective indirect rate, the next claim will automatically adjust to address indirect amounts previously over claimed.

<b>B</b>	Amount budgeted for Title III-A (excludes indirect):	\$66,079.00
	Amount excluded from indirect calculation (capital objects):	\$0.00
	Amount against which indirect costs may be calculated (base):	\$66,079.00
	Restricted Indirect Rate:	5.11 %
	Base * Restricted Indirect Rate:	\$3,376.64
	Amount available for indirect cost recovery:	\$585.48
	<i>Amount to budget for indirect cost recovery:</i>	\$585.48
	Effective Indirect Rate (indirect budgeted / base):	0.89 %
	Indirect claimed to date:	\$0.00