



# Indirect Costs – Overview & Steps to Acquire

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# What is an Indirect Cost Rate?



An indirect cost rate allows a school to recover some costs incurred to run Federal programs that are difficult to charge directly to the grant

- Indirect costs are generally those costs not readily identifiable with the activities of the grant but are incurred for the joint benefit of those activities and other activities of the organization (payroll, utilities, etc.)
- Indirect cost rate is applied to the direct cost amount expended, not the grant award
- Does not provide additional grant funds but allows you to recoup costs associated with running a Federal program
- If you elect to charge indirect, you must request a rate from the State Department of Education

# Indirect Cost Rates – How to request a rate



Indirect costs are optional but if you elect to charge indirect, you must request a rate from the State Department of Education

- State Department of Education will send out a “Indirect Cost Supplementary Information Form” in early spring to all Business Managers
- Business Manger or Superintendent must complete and return to School Finance to request a rate (Optional)
- School Finance will use Prior year’s IFARMS data and information provided on the Indirect Cost Supplementary Information Form to calculated the following year’s indirect cost rates

# Indirect Cost Rates



When requested - two rates are issued to every LEA:

- **Restricted Rate**

- Used for grants with supplement-not-supplant provisions
- Calculation includes general management costs for:
  - Accounting, Payroll, HR
- Excludes governing costs, CEO, CFO, etc.

- **Unrestricted Rate**

- Includes expenditures for operations and maintenance of plant and district administration

We recommend contacting your Business Manager if you think indirect would be valuable or to see if a rate has already been issued.

# Indirect Cost Rates Continued



691 Other Support Services Program	-	-	-	-	-	-	-
710 Child Nutrition Program	1,139,417	601,876	537,541		537,541		537,541
720 Community Services Program	-	-	-		-		-
730 Enterprise Operations Program	-	-	-		-		-
740 Student Activity Program	337,293	-	337,293		337,293		337,293
810 Capital Assets - Student-Occupied (Qualifying Expd)	-	-	-		-		-
811 Capital Assets - Non-Student Occupied (& Student-Occupied Bldg Non-Qualifying Expd)	-	-	-		-		-
911 Debt Services Program - Principal	330,000	330,000	-		-		-
912 Debt Services Program - Interest	294,262	294,262	-		-		-
913 Debt Services Program - Refunded Debt	-	-	-		-		-
Combined Total:	19,507,166	1,490,188	18,016,978	450,702	17,566,276	3,391,708	14,625,270
<i>Adjustments and Reclassifications:</i>							
Terminal Leave Costs - 632 District Admin.							
Terminal Leave Costs - 651-656 Heads of Components							
Terminal Leave Costs - All Other				11,896	(11,896)	11,896	(11,896)
Post Retirement Health Benefits (PRHB)							
Sub-awards/sub-contracts exceeding \$25,000							
Fcn 632 Expenditures s/b Coded to Fcn 651-656							
Fcn 632 Expd s/b Coded to other than Fcn 651-656, 632							
Fcn 651-656 Heads of Components Costs							
Total	19,507,166	1,490,188	18,016,978	462,598	17,554,380	3,403,604	14,613,374
Indirect Cost Rate					2.64%		23.29%
				<b>FY 2024 Indirect Cost Rate - Restricted*: 2.50%</b>		<b>FY 2024 Indirect Cost Rate - Unrestricted: 22.13%</b>	
Discounted Indirect Cost Rate for July 1, 2023 - June 30, 2024 *							

\* Maximum Discounted Restricted Rate is 5%

# Applying Indirect Cost Rates



## Allowable Costs:

- Payroll, supplies, contracted services, general program expenses

## Unallowed/Excluded costs include:

- General governance, bad debts, fines
- Capital outlay, debt service, judgments against the school, food service expenditures

## IFARMS Coding:

- Charge directly to grant fund account and do an internal transfer to general fund for amount collected through indirect rate.

# Indirect Cost Rates - Closing



- We recommend contacting your Business Manager if you think indirect would be valuable or to see if a rate has already been issued
  - On average 33% of schools request a rate annually
- There is not a deadline to request a rate from the department
- You are not required to charge indirect and if a rate is issued, you can apply less (not more) than the supplied rate

# Questions



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