

FY27 Indirect Cost Rate Proposal



Ohio School Districts
Instructions

January 2027



**Department of
Education &
Workforce**

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Introduction

The Ohio Department of Education & Workforce has created this Indirect Cost Rate Proposal for Ohio's districts based on the U.S. Office of Management and Budget's (OMB) [2 CFR §200](#), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the federal Education Department General Administrative Regulations (EDGAR). Section [34 CFR §76.561](#) of EDGAR requires the Department to approve an indirect cost-rate plan for each district that requests one on an annual basis. The indirect cost-rate plan has been approved by the U.S. Department of Education.

The Department's plan was prepared using Ohio's Uniform School Accounting System ([USAS](#)) and provides a way for districts to classify total costs, regardless of funding source, into one of the following categories:

1. Direct/Unallowable
2. Indirect
3. Excluded

After completing all worksheets in the plan, an indirect cost rate will be calculated by dividing total indirect cost into direct cost. Applying the approved rate to the allowable portion of the current year's allocation is a standardized way to recover indirect expenditures from a federal program without having to complete time and effort reports for general administrative support for each program. Click [here](#) to review how the rate must be applied to the budget.

Ohio school districts are not required to prepare indirect cost rate proposals. If your district chooses to submit a proposal, the detailed steps in this document will guide you through preparation.

Obtaining an Indirect Cost Rate is not a requirement of Ohio Medicaid School Program (MSP) or any other Federal Program, but it will help increase your MSP and other Federal Program revenue.

[Ohio Medicaid School Program DEW Indirect Cost Recovery](#)

Purpose

The indirect rate proposal is a mechanism that allows districts to recover fiscal costs associated with their offices of treasurer, human resources, and operations, as well as maintenance of plant services and other administrative and business support offices. Indirect costs are expenses not specifically related to administering federal grants and contracts. These costs, also called Facility and Administrative Costs, are not for common or joint purposes. They serve more than one cost objective and are not identified with a particular, final cost objective without effort that would be disproportionate to the results achieved.

Indirect costs are those remaining to be allocated (less excluded costs) after the district determines direct costs and assigns them directly to appropriate federal awards and other activities. If the district incurs any other cost for the same purpose and in similar circumstances, as a direct cost to a federal award, the district is not allowed to also categorize it as an indirect cost.

Ohio's Indirect Cost Rate Proposal calculates two indirect cost rates, restricted and unrestricted, and follows federal requirements provided in:

- Office of Management and Budget (OMB) 2 CFR Subtitle A, Chapter I: Government-wide Guidance for Grants and Agreements and Chapter II and Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
- See Appendix K for Cost Principles: Policy Guide, Factors Affecting Allowability of Costs, Allocable Costs and Adjustments of Previously Negotiated Indirect Cost Rates.

INDIRECT COST RATE INFORMATIONAL VIDEO SERIES

[Should I Utilize an Indirect Cost Rate?](#)

[Completing the indirect cost rate proposal workbook](#)

[Terminology](#)

[How is the fixed indirect cost rate calculated?](#)

[What are your indirect costs and adjustments?](#)

The Proposal

The indirect cost rate proposal Excel workbook supports the distribution of indirect costs to a direct-cost base, minus excluded costs. Districts must complete only the cells highlighted in yellow on each worksheet. This workbook is a tool for calculating the indirect cost rate. Your district is responsible for maintaining all supporting documentation for indirect costs charged to each grant. After you submit the indirect cost rate proposal to the Department, it will review the proposal and may ask you for additional information. Your district will receive a Rate Agreement once the Department has approved the indirect cost rate proposal. (See Appendix L: Sample Rate Agreement).

The FY27 indirect cost rate will be effective July 1, 2026, through June 30, 2027.

Rate Calculation

To view the formulas in the indirect cost rate proposal workbook, click any calculated cell to see the formula in the formula bar. Ensure all worksheets are completed to calculate the indirect cost rate.

Submission and Required Documents

Each district must submit the following list of reports and items to the Ohio Department of Education's Office of Grants Management at indirectcost@education.ohio.gov.

- The completed indirect cost rate proposal as an Excel file. The Department has prepared this file with formulas that apply to various worksheets and schedules in the workbook. Access to the proposal is free and is available on the [DEW Indirect Costs webpage](#).
- FYTD Financial Summary Report in Excel format for FY25*.
(See Appendix C: Sample Report)
- If used by your district:
 - Operational Unit (OPU) codes and descriptions
 - Special Cost Center (SCC) codes and descriptions
- Detailed financial report that captures all accrued leave (i.e., sick and vacation leave) paid in FY25 to employees who separated from employment.
- FY25 Table of Organization
- Certificate of Indirect Costs - signed and dated (ICRP - Tab 10)

*** Districts must use all fund expenditures incurred between July 1, 2024, and June 30, 2025 (State Fiscal Year 2025) as the basis for preparing their FY27 indirect cost rate proposals.**

Definitions to know before you begin the proposal

Instructional Video: [Terminology](#)

RATE TYPES

RESTRICTED RATE

Most US Department of Education programs administered by school districts prohibit the use of federal funds to supplant non-federal funds. These types of federal funds *supplement* rather than replace state and local funding. The US Department of Education requires grantees to use a restricted indirect cost rate for programs that have the supplement not supplant requirement.

UNRESTRICTED RATE

Unrestricted rates apply to grants that are not subject to the supplement, not supplant, legislative restriction. For example, Ohio school districts typically use the unrestricted rate for indirect costs (F&A) in programs such as Medicaid and Food Service. Effective January 20, 2026, grantees may also request an Average Unrestricted Rate. For detailed regulations on indirect cost expenditures under the unrestricted rate, refer to the [USDA Food and Nutrition Service Indirect Cost Guidance](#).

STATEWIDE AVERAGE UNRESTRICTED INDIRECT COST RATE

The Statewide Unrestricted ICR is not an option for grantees who require a restricted rate. Additionally, when a grantee receives a negotiated restricted rate, they will also receive a negotiated unrestricted rate.

Effective January 20, 2026, the U.S. Department of Education provided the Ohio Department of Education and Workforce (DEW) a Memorandum of Understanding to allow grantees without a negotiated unrestricted indirect cost rate (ICR) to use an average statewide rate. The rate can be used for programs such as [Medicaid in Schools](#) and the [National School Lunch Program](#). Grantees choosing the statewide average unrestricted indirect cost rate must obtain annual approval and refer to the [Statewide Average Unrestricted Indirect Cost Rate Guidance](#) from DEW.

DE MINIMIS RATE

Grantees without a negotiated restricted or unrestricted indirect cost rate may use Ohio's statewide average rate for programs like Medicaid in Schools and the National School Lunch Program by submitting an annual request to the Department of Education and Workforce.

Cost Classifications

DIRECT COSTS

[2 CFR §200.413](#) Direct costs are those incurred for a particular cost objective related to a federal award.

Examples of direct costs include:

- (1) Compensation of the employees who administer the program.
- (2) Supplies and materials used for the program; and
- (3) Travel expenses incurred specifically to carry out the program.

INDIRECT COSTS

[2 CFR §200.1](#) & [§200.414](#) Indirect cost rates help compensate the treasurer, business manager, human resources officer and offices of operation and plant maintenance services for costs associated with applicable federal projects, for example, payroll, purchase orders and personnel. Districts calculate the indirect rate when completing their indirect cost rate proposals. The rate is the ratio of total allowable indirect costs to direct costs (less excluded costs).

Certain expenditures in the following functions may be classified as indirect costs.

USAS Function	Description
2400	Support Services – Administration
2500	Fiscal Services
2600	Support Services – Business
2700	Operation & Maintenance of Plant
2900	Support Services - Central

EXCLUDED COSTS

Excluded costs are found in [2 CFR §200.1](#) as extraordinary or distorting expenditures. Excluded costs will not be part of indirect cost rate computation. Excluded costs include capital outlay, debt service, judgments against the school district, certain transfers, internal service fund expenditures and prior indirect cost recoveries.

UNALLOWABLE COSTS

[2 CFR §200.413 \(e\)](#) and [§200.420 - §200.475](#) Districts cannot charge unallowable costs to federal awards. When computing rates include unallowable costs in the allocation base, if they benefit from allowable indirect activities.

Examples of unallowable costs are bad debts, contingencies, entertainment, fines and penalties, general governance and contributions or donations made to outside organizations.

COST ALLOCATION

Allocation ([2 CFR §200.1](#)) means the process of assigning a cost, or a group of costs, to one or more cost objective(s), in reasonable proportion to the benefit provided or other equitable relationship. The process may entail assigning a cost(s) directly to a final cost objective or through one or more intermediate cost objectives.

Generally, a direct cost is one that is incurred specifically for one activity. Indirect costs are of a more general nature and are incurred for the benefit of several activities. A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. Once a grantee makes an election and treats a given cost as direct or indirect, that treatment must be applied consistently and may not change during the fiscal year. (See: Appendix M – Sample Cost Allocation) Methods.

FIXED INDIRECT COSTS WITH CARRY-FORWARD

The carry-forward adjustment will be the difference between the indirect cost rate approved for use each year and the actual percentage amount of indirect costs incurred in that year. The carry-forward adjustment eliminates the need for districts to file amended federal reports when their actual indirect costs vary from estimated indirect costs.

The rates approved are the maximum a district may use to allocate indirect costs. Your district may decide to minimize the amount of indirect cost recovery charged to any or all federal projects. In any case, you cannot alternate between the approved rate and the lower rate during a fiscal year. To document the indirect costs charged to a grant, districts should consider preparing monthly or quarterly invoices.

Identifying and maintaining documentation, showing by function and object what costs were charged as indirect costs, will provide an audit trail, and help you complete the indirect cost rate proposal in the year the expenses will be used. For example, the FY25 indirect cost rate proposal used the indirect costs incurred in FY23 when calculating the indirect cost rate, the FY26 indirect cost rate proposal used the indirect costs incurred in FY24 when calculating the indirect cost rate, and the FY27 indirect cost rate proposal will use the indirect costs incurred in FY25 when calculating the indirect cost rate

Ohio uses the fixed rate with carry-forward approach to determine indirect costs.

MODIFIED TOTAL DIRECT COSTS

[2 CFR §200.1 Modified Total Direct Cost \(MTDC\)](#) are total direct costs (salaries, fringe, supplies, travel and up to the first \$50,000 of each sub-award or subcontract minus capital expenditures such as equipment, alterations and renovations, rental costs, flow-through funds, scholarships and fellowships, food purchases, prior indirect cost recovery, the portion of individual subawards exceeding \$50,000, and pass-through funds. If the budget and/or expenditures include any of these expenses, you must ensure that you are not

applying the rate to these unallowable and excluded costs. ([2 CFR §200.1](#) gives pass-through fund definitions for [subawards](#) or [subrecipients](#).)

The indirect cost rate is the ratio between indirect costs and the Modified Total Direct Costs.

$$\frac{\text{Indirect Costs (adjusted for carry-forward)}}{\text{Modified Total Direct Costs}} = \text{Indirect Cost Rate}$$

Ohio uses the modified total direct costs methodology to determine allowable direct costs.

SUBCONTRACT/SUBAWARDS

Subawards generally include subgrants and subcontracts. Major subawards do not incur (or benefit from) indirect costs to the same degree as other activities. The generally accepted definition of a major subaward is one that exceeds \$50,000 in expenditures per year.

Grantees must exclude the amount of subaward costs exceeding \$50,000 per subaward per year. As such, the indirect cost rate will be applied only to the first \$50,000 of each subaward each year.

Subcontracts for professional services providing auxiliary expertise normally provided in-house would not be treated as a subaward and are not subject to the exclusion of amounts over \$50,000. Additional costs to a vendor to provide organization-wide support are an indirect cost and not subject to the exclusion of amounts over \$50,000.

INDIRECT COST RATE CLASSIFICATION OF FUNCTIONS SUMMARY

Function		Excluded/ Unallowable	Indirect Costs	Direct Costs
1100	Regular Instruction	No	No	Yes
1200	Special Instruction	No	No	Yes
1300	Vocational Instruction	No	No	Yes
1400	Adult/Continuing	No	No	Yes
1900	Other Instruction	No	No	Yes
2100	Support Services-Pupils	No	No	Yes
2200	Support Services-Instructional Staff	No	No	Yes
2300	Support Services-Board of Education	No	No	Yes
2400	Support Services-Administration	No	Yes*	Yes*
2500	Fiscal Services	No	Yes*	Yes*
2600	Support Services-Business	No	Yes*	Yes*
2700	Operation and Maintenance of Plant Services	No	Yes*	Yes*
2800	Support Services-Pupil Transportation	No	No	Yes
2900	Support Services-Central	No	Yes*	Yes*
3100	Food Service Operations	No	No	Yes
3200	Community Services	No	No	Yes
3300	Enterprise Operations	No	No	Yes
3900	Other Operation of Non-Instructional Services	No	No	Yes
4100	Academic & Subject Oriented Activities	No	No	Yes
4300	Occupation Oriented Activities	No	No	Yes
4500	Sport Oriented Activities	No	No	Yes

4600	School & Public Service Co-Curricular Activities	No	No	Yes
5100	Site Acquisition Services	Yes	No	No
5200	Site Improvement Services	Yes	No	No
5300	Architecture & Engineering Services	Yes	No	No
5400	Educational Specifications Development Services	Yes	No	No
5500	Building Acquisition & Construction	Yes	No	No
5600	Building Improvement Services	Yes	No	No
5900	Other Facilities Acquisition & Construction	Yes	No	No
6100	Repayment of Debt	Yes	No	No
7100	Contingencies	Yes	No	No
7200	Transfers-Out	Yes	No	No
7300	Voluntary Contingency Reserve Balance	Yes	No	No
7400	Advances-Out	Yes	No	No
7500	Refund of Prior Year Receipts	Yes	No	No
7600	Pass Through Payments	Yes	No	No
7700	Money Spent on Behalf of Another Government	Yes	No	No
7900	Other Miscellaneous Use of Funds	Yes	No	No

*Some expenditures in these functions may be reported in your school district's indirect cost pool. Some of these expenditures may have further limitations on the amount that may be included in the indirect cost pool.

Instructions

The worksheets in the Excel workbook have been prepared strictly according to Ohio's Uniform School Accounting System ([USAS](#)). They work primarily for districts that account for their funds using the USAS coding.

Please fill in the yellow highlighted cells with as much detail as possible. Cells not highlighted do not require data. Incomplete worksheets and schedules, or missing data, may delay approval of your indirect cost rate proposal.

(See Appendix G: Sample ICRP for a completed indirect cost rate proposal)

Instructional Video: [Completing the indirect cost rate proposal workbook.](#)

SCHEDULE OF EXPENDITURES-RESTRICTED RATE: (1ST TAB)

- Total expenditures, regardless of funding source. Use the FYTD Financial Summary Report. (See Appendix C: Sample Report)

(1) School District Name – Enter school district name.

(2) County – Enter County name.

(3) School District Number – Enter school district IRN.

- (4) Date Submitted – Enter the date you are submitting the indirect cost rate proposal to the Ohio Department of Education. Data for items 1-4 above will automatically appear in the appropriate boxes on all other worksheets.
- (5) Total Expenditures (column C) – Enter total expenditures for the corresponding function codes. Be sure that total LEA expenditures on this worksheet equals the school district’s total expenditures for all funds.

Columns D, E and F will automatically calculate using formulas programmed into the document, as well as data from other worksheets.

SCHEDULE OF EXPENDITURES-UNRESTRICTED RATE: (2ND TAB)

- (1) All cells on this worksheet automatically pull from other worksheets in the workbook. No data entry is required.

Please review this worksheet for accuracy after you have entered all data on remaining worksheets in the indirect cost rate proposal workbook.

FIXED RATE WITH CARRY-FORWARD ADJUSTMENT-RESTRICTED RATE: (3RD TAB)

INSTRUCTIONAL VIDEO: [How is the fixed indirect cost rate calculated?](#)

Use your organization’s FY25 indirect cost rate proposal (ICRP) Restricted Rate w/ Carryforward (Tab 3) to enter data into this worksheet.

- ✓ If your organization did not have a FY25 ICRP; use the FY23 approved ICRP and follow steps 1-7 below.
- ✓ If your organization did not have a FY25 or FY23 ICRP the following steps will instruct you how to proceed.
 - (1) Direct Cost Base – Using the FY25 ICRP, enter the amount found in cell G14 into cell D14. If using the FY23 ICRP enter the amount found in cell J14 into cell D14. If your organization did not have an approved FY25 or FY23 ICR – enter “1” in D14.
 - (2) Total Indirect Costs – Using the FY25 ICRP, enter the amount found in cell F17 into cell C17. If using the FY23 ICRP, enter the amount found in cell I17 into cell C17. If your organization did not have an approved FY25 or FY23 ICR – leave this cell blank.

- (3) Carry-Forward – Using the FY25 ICRP, enter the amount found in cell F18 into cell C18. If using the FY23 ICRP, enter the amount found in cell I18 into cell C18. If your organization did not have a FY25 or FY23 ICR – leave this cell blank.
- (4) Actual Direct Cost Base – Using the FY25 ICRP, enter the amount found in cell G24 into cell D24. If your organization did not have an approved FY25 ICR – enter “1” in cell D24.
- (5) Actual Total Indirect Cost – Using the FY25 ICRP, enter the amount found in cell F27 into cell C27. If your organization did not have an approved FY25 ICR – leave this cell blank.
- (6) No data entry is required for the remaining cells. They have formulas to calculate the necessary information.

(See Appendix D: Carry-Forward Methodology)

FIXED RATE WITH CARRY-FORWARD ADJUSTMENT-UNRESTRICTED RATE: (4TH TAB)

Use your organization’s FY25 indirect cost rate proposal (ICRP) Unrestricted Rate w/ Carryforward (Tab 4) to enter data into this worksheet.

- ✓ If your organization did not have a FY25 approved ICRP; use the FY23 approved ICRP and follow steps 1-7 below.
 - ✓ If your organization did not have a FY25 or FY23 ICRP the following steps will instruct you how to proceed.
- (1) Direct Cost Base – Using the FY25 ICRP, enter the amount found in cell G14 into cell D14. If using the FY23 ICRP enter the amount found in cell J14 into cell D14. If your organization did not have an approved FY25 or FY23 ICR – enter “1” in D14.
 - (2) Total Indirect Costs – Using the FY25 ICRP, enter the amount found in cell F17 into cell C17. If using the FY23 ICRP, enter the amount found in cell I17 into cell C17. If your organization did not have an approved FY25 or FY23 ICR – leave this cell blank.
 - (3) Carry-Forward – Using the FY25 ICRP, enter the amount found in cell F18 into cell C18. If using the FY23 ICRP, enter the amount found in cell I18 into cell C18. If your organization did not have a FY25 or FY23 ICR – leave this cell blank.

- (4) Actual Direct Cost Base – Using the FY25 ICRP, enter the amount found in cell G24 into cell D24. If your organization did not have an approved FY23 ICR – enter “1” in cell D24.
- (5) Actual Total Indirect Cost – Using the FY25 ICRP, enter the amount found in cell F27 into cell C27. If your organization did not have an approved FY23 ICR – leave this cell blank.
- (6) No data entry is required for the remaining cells. They have formulas to calculate the necessary information.
(See Appendix D: Carry-Forward Methodology)

INDIRECT COSTS WITH ADJUSTMENT FOR RESTRICTED RATE: (5TH TAB)

Instructional Video: [What are your indirect costs and adjustments?](#)

OBJECTIVE

This worksheet will help to identify all indirect costs specific to the offices of the superintendent (for the unrestricted rate only), treasurer, business manager, human resources officer and offices of operation and plant maintenance services and central support services. The function codes are a guide to help districts determine their organization-wide management costs (indirect costs). It is the district’s responsibility to be sure that only those costs that support indirect functions of the district are reported.

If your organization codes organization-wide management costs (indirect costs) to functions other than those listed below, enter the costs in the function that best meets the definition. To explain, make a note in the worksheet’s notes/comments section.

Steps 1- 7

Please follow the steps below when completing this worksheet.

- (1) “Unrestricted” column – Column B represents your district’s total indirect costs less excluded costs for each function. Use the FYTD Financial Summary Report to complete this form. If your organization does not use State Accounting Software, an equivalent fiscal year to date financial report is acceptable. (See steps below.)

Step 1: Fund costs: Using the FYTD financial Excel report, filter the FUND column to include general fund costs (01-GRF). ([Click here](#) for Microsoft data filter support.)

Step 2: Exclude Object Costs: Filter the object column to exclude the following object codes except * 841, 843, 851 and 853.

OBJECT	Excluded Costs (Schedule B) – neither direct nor indirect costs
446	Advertising
470s – All	Tuition and Other Similar Payments
560-569	Food and Related Supplies and Materials
Various	Food (See Schedule B – Excluded tab – Column E)
600s – All	Capital Outlay
800s – All*	Other Objects
900s - All	Other Use of Funds

*OBJECT	Allowable indirect cost
841	Membership – Professional Organization**
843	State Audit Examination
851	Liability Insurance**
853	Fidelity Bond Premium**
<p><i>**Indirect cost pool staff only. If your organization charges the entire district's costs to the indirect functions, the expenditures must be prorated to only include indirect staff costs.</i></p>	

Step 3: Filter and enter in column B costs for the functions listed in the following chart that were paid from the general fund and are for general organization-wide management of the district (a funding source that is not program specific).
See Step 5 for additional discussion about indirect expenditures.

2400 Support Services
2411 Office of the Superintendent
2412 Staff Relations and Negotiations
2414 Education Services
2415 District Administration Services
2419 Other Executive Administration Services
2490 Other Administration Services (Requires USAS OPU code)
2500 Fiscal Services
(2500, 2510, 2520, 2530, 2540, 2550, 2560, 2570, 2590)
2600 Support Services - Business
(2600, 2610, 2620, 2630, 2640, 2690)
2700 Operation & Maintenance of Plant Services
(2700, 2710, 2720, 2730, 2740, 2750, 2760, 2790)

2900 Support Services - Central
2910 Direction of Central Support Services
2920 Planning, Research, Dev. & Eval. Services (2921, 2922, 2923, 2924, 2929)
2940 Staff Services (2941, 2942, 2943, 2944, 2949)
2960 Administrative Technology Services (Indirect Functions Only)
2990 Other Supporting Services

See: Appendix H: USAS User Manual (Sections 2400s – 2900s)

Step 4: Filter costs for indirect cost OPU, SCC, SUBJECT or JOB codes.

Discussion: OPU, SCC, JOB and/or SUBJECT codes help identify indirect costs. For example, your district uses function 2960 for all technology related costs and uses operational unit codes (OPU) to break down costs to an office or a building. OPU codes could include “000” for the districtwide costs, “050” office of treasurer and “200, 300, 400” for various school buildings, “999”, curriculum, etc. Only the technology costs for OPU “050” in this example should be reported as indirect costs. If your district uses a cost allocation methodology other than OPU, SCC, JOB or SUBJECT codes to determine what portion of the expenditures are indirect, please submit the approach used for review.

Step 5: After applying all filters, it is imperative to review the remaining expenditures.

Ask:

- Are the salaries and fringe benefits organization-wide management cost to the district for the superintendent (used for the unrestricted rate only), treasurer, business managers, HR, general technology employees, operations and plant maintenance or general management costs for employees who work in the central office?
 - If not, do not report the costs in this schedule.
- Are the purchased services and supplies districtwide costs or organization-wide management costs that support indirect staff?
 - If districtwide – the district must prorate the expenditures reported and provide documentation of the cost allocation methodology used to determine the portion of the costs that are indirect. The Department must approve the methodology. (The indirect square footage percentage calculated on Schedule C in the workbook reduces the costs in function 2700.) (See: Appendix M for sample cost allocation methods.)

Example: Function 2600 (or any function) has an extensive amount of purchased service and supply costs. Only the purchased services and supplies that support indirect functions are allowed as indirect costs.

- If districtwide expenditures and they are not prorated, the cost should NOT be entered on this schedule.

Step 6 (Optional): After applying all filters and performing the review outlined in Step 5 – copy all the expenditures that will be reported on this schedule into a separate tab either in the FYTD Financial Summary Report or new workbook for documentation of indirect costs reported for each function.

Step 7: Review all costs remaining after performing step 1-6.

Note: Districts must maintain documentation of time and effort for individuals who do not have 100 percent of their work included in this plan. In the event of an audit or review, this documentation should be available.

ADJUSTMENTS

- (1) “Adjustments” column C: Enter adjustment cost. Adjustments comply with the supplement, not supplant, statutory requirement. (See—Appendices I and J.)

According to [34 CFR Part 76, Subpart F, §76.565](#), generally, components are organizational units within the school district that can be both direct and indirect. The district’s organizational structure is considered in determining adjustments for one who heads a component – typically one level below the superintendent (chief executive officer).

The following table shows Heads of Components that are positions seen as adjustments. Your district may have other positions that qualify.

<u>Typical Indirect Heads of Components Positions</u>	
Superintendent of Schools	Directors of:
Treasurer	Public Relations
Chief of Staff	Technology
Deputy Superintendents	Communications
Chief Legal Counsel	Business Office
Business Manager	Human Resource
<p>PLUS, the salary/benefits/other related costs for anyone who works exclusively for the Component Head such as their:</p> <p>Secretary; Administrative Assistant and/or Substitute for either.</p>	

Q. Who are the Chief Executive Officers?

A. The Chief Executive Officer exercises overall responsibility for the operation and management of the organization. The Chief Executive Officer's immediate office includes any Deputies or similar office, along with the immediate support staff. It is important to emphasize that the Chief Executive Officer of the grantee is not the Governor or member of an elected or appointed Board. Expenses for these positions are already unallowable as general government expenses.

Q. What are Component Costs?

A. Generally, components are organizational units for both indirect and direct functions existing at one level below the Chief Executive Officer unit. Depending on the organization, there may be circumstances where component costs would properly be accounted for in the indirect cost pool. The grantee’s organizational structure is considered in determining adjustments for components.

The chart below further outlines the costs that should be considered as an adjustment.

USAS Function*	Adjustment for Restricted Rate Indirect Costs**
2411	All
2412 - 2490	Salary/benefits/other related costs for: Head of Component and their secretary to, admin. assistant to, substitute for, if applicable to these functions
2510 - 2590***	Salary/benefits/other related costs for: Head of Component (Treasurer/CFO) & their secretary to, admin. assistant to, substitute for, if applicable to these functions
2610 - 2690	Salary/benefits/other related costs for: Head of Component & their secretary to, admin. assistant to, substitute for, if applicable to these functions
2710 – 2790	Salary/benefits/other related costs for: The adjustments will be calculated based on square footage. The square footage calculation can be found on Schedule C.
2910 – 2990	Salary/benefits/other related costs for: Head of Component and their secretary to, admin. assistant to, substitute for, if applicable to these functions

***In small school districts with only two staff members reporting to the CFO (Treasurer), the CFO (Treasurer) cost may not be an adjustment to the restricted rate. Final determination as to whether the CFO (Treasurer) will be adjusted for the restricted rate will be made by DEW based on the level of effort provided by the CFO (Treasurer) for direct services to the district.

SCHEDULE A: SUB-AGREEMENTS FOR EACH DEPARTMENT: (6TH TAB)

What is a sub-agreement – The \$50,000 Rule?

(See Appendix E: Subcontract/Subaward/Subgrant/Sub-agreement)

- (1) Enter subcontracts/subawards with the function and object code for each subcontract/subaward in columns A through C.
 - Note: Any subcontract/subawards using an object that is excluded on Schedule B – Excluded Costs should not be entered into this schedule.
- (2) Enter all other contract data requested in columns D through G.
- (3) The first \$50,000 of each subcontract/subaward will automatically calculate in column H, and the disallowed portion will be automatically calculated and entered in column I.
- (4) Enter the total from column I into Schedule B (column K) Excluded Costs by function number.
- (5) Enter “NONE” in cell C11 if your organization determines there are no sub-agreements to report on this schedule, if applicable.

SCHEDULE B: EXCLUDED COSTS: (7TH TAB)

- (1) Column C-L – Use the FYTD Financial Summary Report to enter excluded costs (all funds) by object code for all function rows 9 through 50.

NOTES:

- Column E: FOOD COST - These are food costs not coded to objects 560-569. Expenditures for the purchase of food must be excluded from the direct and indirect bases when calculating the indirect cost rate because these expenditures require minimal administrative support. Likewise, food purchases are required to be excluded when calculating indirect cost recovery for the same rationale.
- Column I: BROADBAND CONNECTIVITY & CRF GRANT (Fund 510) – These programs are one-time programs that are in existence because of the pandemic. The US Treasury is treating these items as distorting and excluding the costs because the funds are directly correlated to the pandemic.
- Column J: INTERNAL SERVICE FUNDS - Use the FYTD Financial Summary

Report to enter excluded costs for the FUNDS 014, 021, 022, 023, 024, 025, 026, 027, 035 and 200. To avoid duplication of excluded costs, enter costs only if they were not excluded in object codes already listed on this worksheet (i.e., reported in object 800 or 900).

- Column K: SUBCONTRACTS – Enter the costs found in column I on Schedule B – Excluded Costs by function.
- Column L: OTHER EXCLUDED COSTS - Typical costs seen in this column are for expenses incurred in functions 5100 – 7900, object codes 400 not excluded elsewhere. All expenses entered on the Schedule of Expenditures (Tab 1), column C, rows 36 – 53 are excluded costs. There should be \$0.00 in column F (tab 1) for these functions. If there are expenditures in any of the functions (5100 -7900), enter the amount shown in column F into the corresponding function on Schedule B – Excluded Costs to zero out the cell(s).

(2) Columns O-T

- Enter the costs for objects 841, 843, 851, and 853, for the functions listed if there are indirect expenses reported in Column B on tab 5 for functions 2411, 2412, 2414, 2415, 2419, 2490, 25xx, 26xx, 27xx and 2910, 292x, 294x, 2960 or 2990; otherwise leave blank.
 - If districtwide costs are coded to one of the above indirect functions and objects, the costs will need to be prorated to include the indirect pool staff only. (A copy of the cost allocation methodology used must be provided.)
 - The costs entered will automatically decrease the functions in column M; the reduction will also be shown in cells G52 and G53.

(See: Appendix F for further information pertaining to excluded costs)

SCHEDULE C: SQUARE FOOTAGE CALCULATION: (8TH TAB)

- (1) List building names and addresses in columns B and C as appropriate. Districts with more than eight (8) owned buildings can report a total of usable indirect and direct (all other) square footage for the district as a whole.
- (2) Square Footage – Enter into columns D – G usable square footage for the Treasurer’s Office, Human Resources’ Office, Maintenance Office, and Warehouse storage as well as anyone else considered to be indirect less any common space, such as hallways, public bathrooms, and mechanical space.

Column H is for all other direct space.

- (3) No data entry is required for the remaining cells; these have formulas that calculate the necessary information. The percentage found in cell D25 will lower the expenditures (as an adjustment) for the Plant Operation and Maintenance Services Department reported on the Indirect Costs with Adjustments for Restricted Rate (Tab 5) for the 2700 functions.

SCHEDULE D: SCHEDULE OF PAID LEAVE BY DEPARTMENT: (9TH TAB)

Enter payments to separating employees for accrued unused leave paid in FY25. Payments to separating employees for unused leave are NOT direct costs to any federal awards.

- (1) Enter the total accrued paid leave amount (all funds) into cell B8.
- (2) Enter the total paid leave amount charged to the GRF for functions 2411, 2412, 2414, 2415, 2419 and 2490, 25xx, 26xx, 27xx and 2910, 292x, 294x, 2960 and 2990 into cell B10. (Enter the amounts only if they were included as indirect costs into Tab 5 (Column B) Indirect Cost with/ Adj.)
- (3) Enter the total paid leave for any employee who was a Head of Component (i.e., Superintendent) and/or a secretary to, admin. assistant to or substitute for (i.e., Superintendent's secretary) into cell C14. ***In most cases this amount will be \$0.00 because the expenditures were removed in cell B10 and were adjusted in Column C on the Indirect Cost with Adj. (Tab 5). If an amount is reported in cell C14 and not in Column B and C on Tab 5, please explain.

The totals for the unrestricted and restricted liabilities are subtracted from the modified total direct costs and added to indirect costs on the Schedule(s) of Total Expenditures (Tab 1 and Tab 2). The amounts are also populated into the Indirect Cost w/ Adj. (Tab 5).

NOTE: All Post-Retirement Health Benefits ("PRHB") will be treated as indirect costs for both the Restricted and Unrestricted rate regardless of where the employees' salary is recorded with one exception. For purposes of calculating the restricted rate, PRHB costs associated with the Superintendent and Head of Components (as defined by EDGAR 76.565(d)(2)) will be treated as direct.

CERTIFICATE OF INDIRECT COSTS: (10TH TAB)

Once all worksheets in the Excel workbook are complete and you are ready to submit the indirect cost proposal packet to the Ohio Department of Education, fill in the Certificate of Indirect Costs and sign and date on the appropriate page.

CERTIFICATE OF INDIRECT COSTS EXAMPLE

CERTIFICATE OF INDIRECT COSTS

This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

(1) All costs included in this proposal dated _____ to establish billing or final indirect cost rates for the period ending or ended June 30, 20____ are allowable in accordance with the requirements of the Federal award(s) to which they apply and the provisions of this Part. Unallowable costs have been adjusted for in allocating costs as indicated in the indirect cost rate proposal.

(2) All costs included in this proposal are properly allocable to Federal awards based on a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Federal government will be notified of any accounting changes that would affect the predetermined rate.

(3) I declare that the foregoing is true and correct.

Governmental Unit

Signature

Name of Official

Title

Date of Execution

Utilizing the Indirect Cost Rate

APPLICATION OF THE RATE

Click the following link for information and instructions in determining the maximum indirect costs to budget based on the allocation amount. [Applying the Approved Indirect Cost Rate to the Budget](#)

The indirect cost recovery should be coded to Object Code 899 (Miscellaneous) and Function Code 2590 (Fiscal).

If you have questions regarding this guidance, please email: Indirectcost@education.ohio.gov.

Dropping Out of the Indirect Cost Rate Program

School districts may decide whether to obtain an approved indirect cost rate. It is a local decision whether to recover the maximum rate allowed from each federal project. It also is a local decision whether to continue in the indirect cost rate program. If your organization decides not to continue the indirect cost rate program, there are some consequences. Below is an outline of what your district needs to do to properly exit this program.

Year One

- Indirect cost rate - approved.
- Indirect cost recovery from current projects only - permitted.
- Direct fiscal charges from any projects - not permitted.

Year Two

- Indirect cost rate - not requested.
- Indirect cost recovery from any projects - not permitted.
- Direct fiscal charges from current year's projects only - permitted.

Year Three

- Indirect cost rate - not requested.
- Indirect cost recovery from any projects - not permitted.
- Direct fiscal charges from one-year-old and current projects only - permitted.
- Ohio uses the carry-forward method to calculate indirect cost rate proposals. Reconciliation must occur between the dollar amount recovered from year one projects based upon the indirect cost rate and the dollar amount that the indirect cost rate would have yielded. If there is over-recovery, a refund is due to the federal government. If this occurs, the Ohio Department of Education will provide the school district with the procedures for repayment.

According to Office of Management and Budget (OMB) 2 CFR, Ch. I, Ch II, Part 200 Cost Principles, and Audit Requirements for Federal Awards guidelines, each year an indirect cost rate is approved, a reconciliation of estimated and actual indirect costs must be completed. This reconciliation process determines the carry-forward adjustment and is included in the indirect cost rate calculation for a subsequent fiscal year. If a district has chosen to drop out of the indirect cost rate program, there is no subsequent fiscal year to include the carry-forward adjustment. Therefore, the reconciliation process determines the amount of over-recovered or under-recovered indirect costs. An over-recovery of indirect costs indicates that a refund is due to the federal government. There is usually no reimbursement of any under-recoveries of indirect costs. This reconciliation process is required and necessary for final closeout of the grant program.

APPENDICES

Appendix A: [USAS Classification of Functions](#)

Appendix B: Left blank intentionally.

Appendix C: [Sample: Financial Summary Report – First and Last Pages](#)

Appendix D: [Carry Forward Methodology](#)

Appendix E: [The \\$50,000 Rule](#)

Appendix F: [Excluded Costs by Function and Object](#)

Appendix G: [Sample ICRP Completed](#)

Appendix H: [USAS User Manual Functions Series 2400, 2500, 2600, 2700, 2900](#)

Appendix I: [CFR 34 - Part 75 - Subpart E](#)

Appendix J: [CFR 34 - Part 76 - Subpart F](#)

Appendix K: [Cost Principles Uniform Guidance 2 CFR 200.400, 200.403, 200.405, 200.411](#)

Appendix L: [Sample Indirect Rate Agreement](#)

Appendix M: [Sample Cost Allocation Methodologies](#)