

Title III Spending Guidance

Understanding the 2% Limitation and Indirect Costs

The Office of English Language Acquisition Services (OELAS) has created this guidance to assist Arizona LEAs to better understand the administrative expense requirement as it pertains to Title III funds. Changes made under the implementation of Every Student Succeeds Act (ESSA) have impacted how LEAs charge direct administrative expenses and indirect costs to their Title III grant.

Under No Child Left Behind (NCLB), LEAs were limited to spending no more than 2% of their Title III funds for the cost of administering their grant. This 2% was a combined total of administrative expenses AND indirect costs. Under ESSA, this is no longer the case. Changes to this requirement under ESSA are detailed below.

SEC. 3115. [20 U.S.C. 6825] SUBGRANTS TO ELIGIBLE ENTITIES.

(b) DIRECT ADMINISTRATIVE EXPENSES.—Each eligible entity receiving funds under section 3114(a) for a fiscal year may use not more than 2 percent of such funds for the cost of administering this subpart.

Beginning in fiscal year 2018, the 2% limitation and indirect cost recovery are now two separate calculations. LEAs are now able to charge DIRECT administrative expenses to their grant, not to exceed 2% of their current year grant award. Direct administrative expenses are those expenses intended to assist LEAs with managing their EL programs, as opposed to those expenses which provide instructional support for implementing EL programs.

Under ESSA, indirect costs are now able to be deducted from the remaining balance (current year award plus carryover, if applicable) of grant funds not reserved for direct administrative costs and capital items meeting the \$5000 per unit threshold. This allows an LEA the flexibility to apply its restricted indirect cost rate to the portion of its subgrant that it does not reserve for these two excludable costs.

The Grants Management Enterprise (GME) system is set up to automatically calculate the maximum allowable indirect cost amount. GME calculates this indirect cost amount based on budget requests entered in an LEA's Title III grant application, taking into consideration the excludable costs mentioned above. The table provided in the Budget section of the funding application in GME will display this information for each LEA.

Office of English Language Acquisition Services

602.542.0753

<http://www.azed.gov/oelas/>