

Indirect Cost Calculation Page

See more detailed information on indirect costs in general after the examples below.

Specific Page Instructions

A. Rates to Be Used for Calculating Indirect Costs

1. Restricted rates are described for various applicant types.
2. Unrestricted rates are described for various applicant types.

B. Basis for Calculating Indirect Costs

1. If the program rate is restricted, all applicant types must use the Modified Total Direct Cost (MTDC) basis. The maximum amount available is calculated and displayed on the Budget Detail page.
2. If the program rate is unrestricted, LEAs and LEA-type entities must also use the MTDC basis.
3. If the program rate is unrestricted and a non-LEA is using the de minimis rate, non-LEAs must use the MTDC basis.
4. If the program rate is unrestricted and a non-LEA has a negotiated rate, non-LEAs may use a basis other than MTDC unless MTDC is included in the negotiated rate.

Example 1 – RESTRICTED rate

Sample Indirect Cost Calculation page – no data entry required:

Indirect Cost Calculation	THIS PAGE IS INFORMATIONAL ONLY	
<p><i>Indirect cost rates will display on the Budget Detail page when they are available but will be 0% until rates are calculated and loaded for the grant year. Watch for an IWAS message indicating that rates are loaded to budget or amend for indirect costs.</i></p> <p>A. Rates To Be Used for Calculating Indirect Costs</p> <ol style="list-style-type: none">1. If the program is mandated to use a RESTRICTED rate, these rates will be loaded:<ol style="list-style-type: none">a. LEAs - rates calculated from the Annual Financial Reportb. ROEs, ISCs, EFEs, charter schools, university lab schools, and special education joint agreements - the statewide average ratec. Colleges and universities - 8%d. Not-for-profit and community organizations - 8%2. If the program allows an UNRESTRICTED rate, these rates will be loaded:<ol style="list-style-type: none">a. LEAs - rates calculated from the Annual Financial Reportb. ROEs, ISCs, EFEs, charter schools, university lab schools, and special education joint agreements - the statewide average ratec. Colleges and universities - 8%d. Not-for-profit and community organizations - as selected by the entity; options are 0%, 10% de minimis, or negotiated rate <p>B. Basis for Calculating Indirect Costs</p> <ol style="list-style-type: none">1. If RESTRICTED rates are used, the Modified Total Direct Cost (MTDC) basis will be used.2. If UNRESTRICTED rates are used, the basis will be MTDC for:<ol style="list-style-type: none">a. LEAsb. ROEs, ISCs, EFEs, charter schools, university lab schools, and special education joint agreements - the statewide average ratec. Colleges and universitiesd. Not-for-profit or community organizations taking the de minimis rate of 10%3. If UNRESTRICTED rates are used, not-for-profit or community organizations that have a negotiated rate may use a basis other than MTDC for calculating indirect costs <p>THE INDIRECT COST RATE FOR THIS PROGRAM IS: RESTRICTED</p>		

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Sample Budget Detail page – indirect cost amounts entered manually by all users:

- Total direct costs – system calculates automatically
- Costs not eligible for use in indirect cost calculation – system calculates automatically
- Modified Total Direct Costs – system calculates automatically

- Indirect Cost Rate % - prepopulated
- Maximum Indirect Cost – maximum amount that can be taken in indirect costs, system calculates automatically
- Indirect Cost – entered manually by applicant, system prevents the page save if this exceeds the Maximum Indirect Cost calculated above it

Total Direct Costs	109241
, Contract amounts over \$25,000	0
Modified Total Direct Costs	109241
Indirect Cost Rate %	1.12
Maximum Indirect Cost *	1223
Indirect Cost	0

NOTE: Indirect costs cannot be charged to the grant by LEAs or LEA type organizations if direct costs are claimed in the functions listed below. However, non-LEAs may claim indirect costs even if amounts are budgeted in these functions:

2510
2520
2570
2640
2660

Example 2 – UNRESTRICTED rate

C. Each applicant must select the correct entity type a – d (NOTE: some pages show a type e, which was removed partway through FY 2022).

C. Identify the type of organization applying below. For types (a) through (d), the rate displays on the Budget Detail page and automatically calculates the maximum allowable amount. For type (e), additional questions will appear and must be completed before completing the Budget Detail page.

(a) LEAs
 (b) ROEs, ISCs, EFEs, charter schools, university lab schools, and special education joint agreements - the statewide average rate
 (c) Colleges and universities
 (d) For-profit/Not-for-profit or community organizations using:
 - a de minimis rate of 10%,
 - a rate of 0%, or
 - a Federal/GOMB negotiated rate

D. **If the entity is type (d):**

1. The type of rate to be used will be prepopulated and cannot be changed. Questions about indirect cost rates or a request to change the type of rate should be sent to GATA@isbe.net.
2. Provide the exact dollar amount of indirect costs to be claimed – which then populates that cell on the Budget Detail page. This amount cannot be changed on the Budget Detail page; any changes must be made on the Indirect Cost Calculation page and re-saved.

3. If using the de minimis rate type, the amount entered should be 10% or less of the total allowable base as calculated on the Budget Detail page.
4. If the entity is not claiming indirect costs, a rate of 0% should display and 0 should be entered in #2.
5. If the entity is using a negotiated rate, the amount entered should be less than or equal to the maximum amount calculated on the Budget Detail page. If the amount to be used exceeds the maximum displayed, an explanation must be included in #3 to explain and justify the planned indirect cost amount
6. Provide any additional comments in #3 that are required for the ISBE consultant to verify that the direct cost rate has been applied properly and the amount does not exceed the allowable rate.

Background Information

Please refer to the State and Federal Grant Administration Policy, Fiscal Requirements and Procedures handbook at https://www.isbe.net/Documents/fiscal_procedure_handbk.pdf for more information.

Excerpted from the handbook:

INDIRECT COSTS AND COST ALLOCATION PLANS

Introduction

Indirect Costs are costs a grantee incurs for common or joint objectives that cannot be readily and specifically identified with a particular grant project or other institutional activity. These are typically widespread costs for support service activities, such as purchasing, budgeting, payroll, accounting, data processing and staff services. Indirect costs are usually charged to the grant as a percentage of some or all of the direct cost items in the grantee's budget. This percentage is called the indirect cost rate.

The following expenditure functions are usually considered as indirect costs:

- Function 2510 – Direction of Business Support Services
- Function 2520 – Fiscal Services
- Function 2570 – Internal Services
- Function 2640 – Staff Services
- Function 2660 – Data Processing Services

For LEAs, if expenditures shown are shown as direct costs in any of the above-mentioned functions on the program budget, the indirect cost rate cannot be used. Non-LEAs may charge direct and indirect costs to the above-mentioned functions but may be asked to provide sufficient justification for the expenditures.

Local Education Agencies

ISBE has a Delegation Agreement with the federal government to calculate the rates for all LEAs, Regional Offices of Education, colleges, and universities. In accordance with the Delegation Agreement between the United States Department of Education and ISBE and pursuant to its authority under GATA and administrative rules, the Governor's Office of Management and Budget has granted ISBE an exception to the federal Uniform Guidance and GATA regarding the determination of indirect cost rates that may be utilized by all grantees subject to the Delegation Agreement that

receive a state award or federal pass-through award for grant programs administered by ISBE. Modified Total Direct Cost (MTDC) is the basis on which the indirect cost rate is applied to determine the amount of indirect cost allowable for all grantees subject to the Delegation Agreement.

Unrestricted LEA Indirect Cost Rates

School Districts may utilize either the unrestricted or restricted indirect cost rate the LEA negotiates annually with ISBE, as appropriate. Regional Offices of Education, Intermediate Service Centers, special education cooperatives, area vocational centers, charter schools, and university laboratory schools approved by ISBE can utilize the statewide average indirect cost rates calculated by ISBE.

Restricted LEA Indirect Cost Rates

LEAs may also utilize the ISBE-established restricted indirect cost rates for state and federally funded grant programs administered by other state agencies. Therefore, LEAs do not need to take any further action in order to establish or utilize an indirect cost rate for any state or federally funded grant program administered by any state agency.

Non-Local Education Agencies

Unrestricted Non-LEA Indirect Cost Rates

Not-for-profit entities, community/faith-based organizations, and for-profit entities may utilize the de minimis rate of 10%, a federally negotiated indirect cost rate, or an indirect cost rate that has been negotiated with GOMB for unrestricted programs administered by ISBE. Colleges and universities will be restricted to a maximum indirect cost rate of 8 percent or other indirect cost rate calculated by their cognizant federal agency, whichever is less, for state and federal grants administered by ISBE. All not-for-profit entities electing to take an indirect cost rate will be required to register their indirect cost rate in the CARS system.

Restricted Non-LEA Indirect Cost Rates

Restricted indirect cost rates shall be used for federal programs which require expenditures which supplement but do not supplant state or local efforts. For federal programs requiring the use of a restricted indirect cost rate, not-for-profit entities, community/faith based organizations and other non-LEA subgrantees shall utilize the 8% default rate described in 34 CFR 76.564 for all federal grants administered by ISBE.

Restricted and Unrestricted Plans

The Restricted Indirect Cost Allocation Plan is to be used with federal programs that restrict expenditures to those that "supplement but do not supplant" state or local effort. The Unrestricted Indirect Cost Allocation Plan applies to all other grant programs administered by ISBE.

The principle of cost allocation for restricted programs applies to Title I, IDEA, and any other federal program that requires assurance that grant funds will be used to supplement but not supplant local funds. The principle of cost allocation for unrestricted programs applies to programs such as the Child Nutrition Program.

Use of the restricted and unrestricted rate is made by applying the appropriate rate to the appropriate direct cost base for the state or federal program. The budgeting of indirect cost does not increase the amount of the grant but reallocates funds among expenditure classifications.

Calculation of the Rate

The School Business Services Department annually computes new unrestricted and restricted indirect cost rates for each grantee that is subject to the Rate Delegation Agreement. The rate is computed from the *Financial Data to Assist Indirect Cost Determination*, a supplementary schedule in the *Illinois Local Education Agency Annual Financial Report* (Form ISBE 50-35). Each year these computed indirect cost rates are made available electronically to the respective LEAs. A statewide average indirect cost rate is also determined at this time.

Indirect Cost Rates for Grantees

Depending on the type of grantee approved for grant funds, the following should be used as a guide if the grantee decides to apply the appropriate indirect cost rate as determined by ISBE:

- School districts must use their ISBE calculated restricted indirect cost rates for restricted rate federal programs and the ISBE calculated unrestricted rate for all other programs.
- Newly organized entities formed by a joint agreement that fall subject to the Rate Delegation Agreement must utilize the statewide average indirect rate.
- School districts that jointly administer a state or federal program must utilize the approved indirect cost rate for the administrative district of the joint program.
- Regional Offices of Education, Intermediate Service Centers may use the statewide average if they wish to include indirect costs on state or federal grants, or, may use a federally negotiated indirect cost rate.
- Not-for-profit entities, community/faith based organizations and other subgrantees not included in the Delegation Agreement may elect to use the de minimis indirect cost rate, a federally negotiated indirect cost rate, or no indirect cost rate.
- Per the USDE approved Delegation Agreement, colleges and universities will be limited to a maximum indirect cost rate of 8 percent or other indirect cost rate calculated by their cognizant federal agency, whichever is less, for all state and federal grants administered by the Illinois State Board of Education.

Limitations of Recovery of Indirect Costs

Recovery of indirect costs on grants is subject to the availability of funds. Most restricted grants are allocated to the state educational agency as a block grant in which each district is entitled to a maximum grant amount. The total direct costs plus the indirect costs therefore cannot exceed the maximum entitlement.

Indirect costs may be recovered only to the extent that qualifying direct costs are incurred. The indirect cost rate is applied to the amount expended, not to the total grant award, to determine the amount of the indirect costs.

Rate Application and Capital Outlay

Special consideration is necessary when a grantee's budget contains facilities acquisition and construction costs (function 2530), capital outlay and non-capitalized equipment expenditures (object 500 and 700). The amount of facilities acquisition and construction costs (function 2530), capital outlay and non-capitalized equipment (object 500 and 700) is excluded from the total direct costs when the indirect cost rate is applied to determine the dollar amount of indirect costs to be allowed for the project (i.e., indirect cost rate multiplied by (direct expenditures minus facilities acquisition and construction costs [function 2530], capital outlay and non-capitalized equipment expenditures [object 500 and 700].).

Direct vs. Other “Administrative Overhead Types” of Costs

There are other “administrative overhead types” of indirect costs (e.g., telephone, copying, and postage) that are incurred within a central district office that are normally charged in Function 2300 General Administration and/or Function 2400 School Administration. In addition, there may be specific program administrative salaries (e.g., grants coordinator) that may be direct costs (e.g., benefits and supplies charged in General Administration Sub-Function 2330 Special Area Administrative Services and/or School Administration Sub-Function 2490 Other Support Services).

Cost Allocation Plan (CAP)

A Cost Allocation Plan (CAP) is a document that states how a grantee will identify, accumulate, and distribute certain allowable administrative costs in grants and identifies the allocation methods used for distributing the costs. A written plan for allocating joint costs is required to support the distribution of those costs to the grant program. When a grantee completes a grant application/amendment, it must determine to either utilize its restricted indirect cost rate as calculated by ISBE or utilize a CAP that must then be documented via personnel time and effort information as well as formal accounting records according to Generally Accepted Government Accounting Principles to substantiate the propriety of the eventual charges. All applicable documentation must be available for review upon request by a local auditor or ISBE compliance monitor.

In most instances, the simultaneous use of direct cost allocation and the indirect cost rate application is prohibited. However, there may be legitimate instances where a general administration cost is requested and approved as a direct cost in addition to other administrative overhead costs that are covered under an indirect cost rate.

Example – Grants Coordinator in Central Office

A federal grants coordinator works in the central district office along with other staff that has oversight over other grant programs. The direct cost (e.g., salary and benefits) for the grants coordinator with respect to certain services (e.g., Special Area Administrative Services Sub-Function 2330) may be charged as a direct cost on a federal grant utilizing a CAP with supporting records and documentation that are maintained by the district in accordance with the applicable OMB Circular. The functions that may be utilized with a CAP may include, but are not necessarily limited to, supervisory responsibilities or other administrative services for the specific grant as the federal grants coordinator along with the recognition of appropriate supplanting rules. Ancillary administration costs within the central office (e.g., telephone, copying, postage, etc.) that may not be charged as direct cost would be allowed under the indirect cost rate.

Depending on the type of grantee approved for grant funding, all cost allocation plans must be in compliance with the appropriate circular from the Federal Office of Management and Budget.