

## Indirect Cost Guidance for Federal TRIO and CCAMPIS Program Grantees

### What are indirect costs?

**Indirect costs** are costs that an organization incurs for common or joint objectives that cannot be readily and specifically identified with a particular grant project or other institutional activity. Many applicants request funds for indirect costs that they incur while carrying out the work of a project under a federally funded grant program. Such costs are usually charged to the grant as a percentage of some or all of the **direct cost** items in the applicant's budget. This percentage is called the **indirect cost rate**. With the exception of some limitations imposed by federal law or regulation, indirect costs are **allowable costs**.

### Who may charge indirect costs to a TRIO or CCAMPIS grant?

A grantee must have obtained a current indirect cost rate agreement from its cognizant agency to charge indirect costs to a TRIO or a Child Care Access Means Parents in School (CCAMPIS) grant.

### How does a grantee obtain an indirect cost rate?

To obtain an indirect cost rate, a grantee must submit an indirect cost proposal to its cognizant agency within 90 days after the date the Department issues the Grant Award Notification (GAN). (See Education Department General Administrative Regulations (EDGAR) at 34 CFR 75.560 (b))

The Office of Management and Budget (OMB) has assigned to certain federal departments and agencies the responsibility for determining indirect cost rates for specific organizations. The department or agency that determines an organization's indirect cost rate is generally the federal department or agency that provides the organization with the most direct funding. The agency that issues an **indirect cost rate agreement** to an organization is known as the cognizant agency for indirect cost negotiation. Non-profit organizations, institutions of higher education, commercial organizations and state agencies should determine which federal agency provides the preponderance of their funding in order to determine which agency should negotiate their indirect cost rate. The Department of Health and Human Services determines rates for most universities and colleges receiving grant funds from the Department of Education. (OMB Circular A-21, (G) (11) (a))

Indirect cost rate agreements are separate documents that cover specific time periods usually coinciding with the grantee's accounting period, not its grant award budget or performance period. Therefore, a grantee might have to calculate the amount of indirect cost reimbursement to which it is entitled during a budget period by using two indirect cost rates.

### How long may a grantee use a temporary indirect cost rate?

If an applicant selected for funding has not already established a current indirect cost rate with its cognizant agency, the Department generally will authorize the grantee to use a temporary rate of 10 percent of budgeted direct salaries and wages, subject to the following limitations:

1. The grantee must submit an indirect cost rate proposal to its cognizant agency within 90 days from the date that the Department issues the GAN.

2. If, after the 90-day period, the grantee has not submitted an indirect cost rate proposal to its cognizant agency, the grantee may not charge its grant for indirect costs (unless the Department finds exceptional circumstances) until it has negotiated an indirect cost rate agreement with its cognizant agency.
3. Once the grantee has negotiated an indirect cost rate with its cognizant agency, the grantee may have to make certain adjustments to its total recovery of indirect costs, using the negotiated indirect cost rate or 8 percent of modified total direct costs, whichever rate is lower.

### **What is the indirect cost reimbursement on a TRIO or CCAMPIS grant?**

Federal TRIO and CCAMPIS Program grants are educational training grants (see EDGAR at 34 CFR 75.562). Indirect cost reimbursement on training grants is limited to the recipient's actual indirect costs, as determined in its negotiated indirect cost rate agreement, or eight percent of a modified total direct cost base, whichever amount is less.

For the purpose of calculating indirect costs on training grants, a modified total direct cost base consists of total direct costs minus (i) the amount of each sub-award in excess of \$25,000; (ii) stipends; (iii) tuition and related fees; and (iv) equipment as defined in 34 CFR 74.2 and 80.3. Indirect costs in excess of the eight percent limit may not be charged directly, used to satisfy matching requirements or cost sharing requirements, or be charged to another Federal award. The limitation on indirect cost reimbursement does not apply to state and local governments or federally recognized Indian tribal governments.

### **Must all TRIO grantees have an indirect cost rate?**

No. A grantee may charge all allowable costs directly to the grant if they:

1. Have only one Federal grant from one Federal agency;
2. Have no other sources of revenue (such as state, local or private grants); and
3. Engage in no other activities (such as fundraising activities or other business development activities).

### **Where may a TRIO or CCAMPIS grantee get more information on indirect costs?**

For more information, please visit the Department's Indirect Cost Group's website at <http://www.ed.gov/about/offices/list/ocfo/fipao/icgindex.html>.

Colleges and universities that want to establish a negotiated indirect cost rate may visit the website for the Department of Health and Human Services, Division of Cost Allocation at <http://rates.psc.gov/fms/dca/orgmenu1.html>.