

Grant Managers
Brown Bag

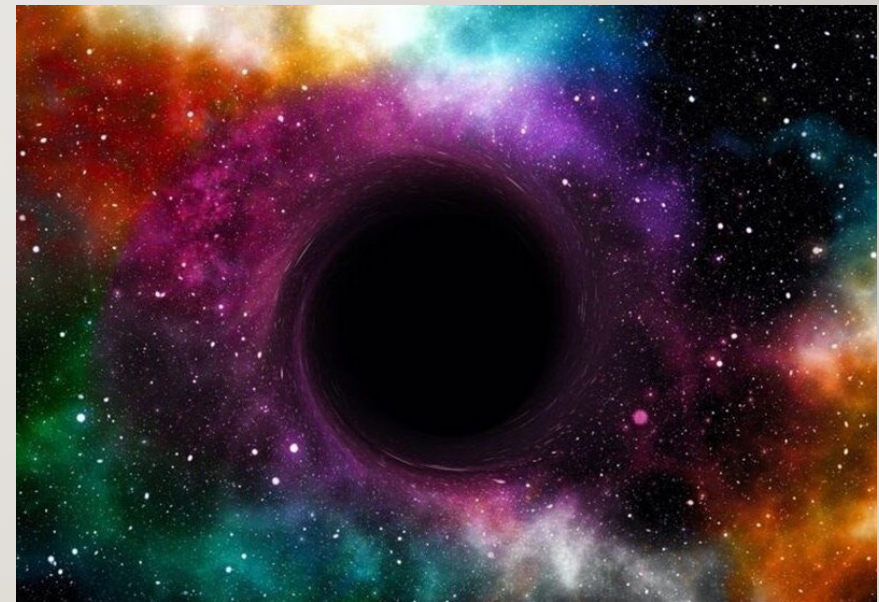
**WADING INTO THE BLACK HOLE:
The Role Of Indirect Costs In Grant
Development & Management**

MAY 2023



WHY INDIRECT COSTS

- There is a lot of mystery surrounding indirect costs
- Not a lot is said about indirect costs
- There are no policies and procedures currently in place to review and learn more
- RCCD has a new indirect cost rate



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WHAT ARE INDIRECT COSTS

- Costs that are not directly accountable to a specific project or service
- They are often referred to as overhead costs or administrative costs
- Sometimes they are identified as the cost of doing business



DIRECT COSTS VS. INDIRECT COSTS

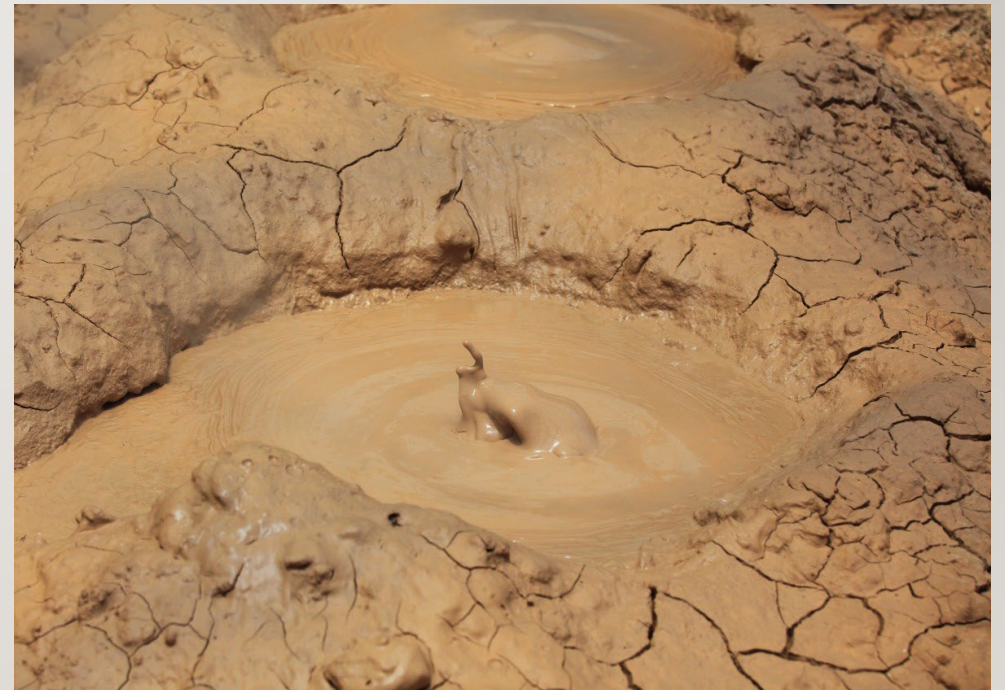
Basis for Comparison	Direct Cost	Indirect Cost
Meaning	These are costs that can be easily identified and associated with your grant project; you actively approve and purchase these items.	These costs are not so easy to identify and relate to your project; you do not actively approve and purchase these costs.
Expended on	Specific cost objects	Multiple cost objects
Can be identified as	Variable costs; they change depending on the project	Fixed costs; the amount does not change from project to project, but rather the percent allocable
Location in the budget	Direct costs are calculated first	Indirect costs are calculated after direct costs are finalized.
Can it be attributable	Yes	No.

EXAMPLES

Direct Costs	Indirect Costs
Counseling Services	Operations & Maintenance
Instruction	Utilities
Simulation Equipment	Rent
Travel for Professional Development	Payroll
Speakers	Accounting Services
Student Stipends	Legal fees
Refreshments	Department Administration

EXCEPTIONS

- Some costs can be identified as direct in one situation and indirect in another depending on how they are used and/or defined
- Once an item is identified as an indirect cost, it cannot be charged as a direct cost, except under exceptional circumstances that are directly related to a specific award
 - Extraordinary utility consumption
 - Project evaluation
 - Rent
 - Cost of materials supplied from stock
 - Services rendered by specialized facilities



EXCEPTIONS

- Costs that are identified as unallowable by the Federal government cannot be included in the Indirect Cost Rate
 - Fundraising
 - Alcohol
 - Lobbying
 - Entertainment



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INDIRECT COST RATE

An indirect cost rate is a percentage used to distribute indirect costs to all cost centers benefitting from those costs

Calculation =

indirect cost pool / direct cost base

CALCULATING INDIRECT COST RATES

- Indirect costs are calculated as a percentage of direct costs
- Funding source identifies the allowable indirect cost rate that applicants may request
- If an applicant does not have a federally approved negotiated rate, the federal government allows for a de minimus rate of 10%

Funding Source	Rate
State Grants	4%
U.S. Dept of ED training grants	8%
Other ED Grants	Federally approved negotiated rate or de minimus rate
National Science Foundation	Federally approved negotiated rate or de minimus rate
U.S. Department of Labor	Federally approved negotiated rate* or de minimus rate

CALCULATING INDIRECT COST RATES

- Applicants may apply for a Negotiated Indirect Cost Rate Agreement (NICRA) from their cognizant federal agency
- Community College Cognizant Agency: U. S. Department of Health & Human Services
- Application Process generally completed by a consultant

RCCD Negotiated Indirect Cost Rates

(as of July 1, 2021 through June 30, 2026)

On Site – 30.6%

Off Site* – 20.2%

of Modified Total Direct Costs

(Off site rate applies for activities that are 1) performed in facilities not owned by the District and therefore not included in the F&A pool or 2) where rent is directly allocated/charged to the project)

CALCULATING INDIRECT COST RATES

Modified Total Direct Costs

Includes:

- All direct salaries and wages
- Applicable fringe benefits
- Materials and supplies
- Travel
- Up to the first \$25,000 of each subaward

Excludes:

- Equipment
- Capital Expenditures
- Scholarships and Fellowships
- Participant Support Costs (travel, stipends, specific assistance)
- The portion of each Subaward beyond \$25,000

CALCULATING INDIRECT COST RATES

- It is possible to waive indirect cost reimbursement
- Reason for doing so:
 - Budget is too small to fund direct costs
- Requires permission of Grants & Sponsored Programs at College or District level

However, the National Science Foundation does not allow institutions to waive indirect cost reimbursement – it is viewed as match, which is not allowable!

ACCOUNTING FOR INDIRECT COSTS

- 1) Grant Managers should track indirect cost reimbursement as they would any other cost
- 2) Business Services charges indirect costs to modified total direct costs on a regular basis
- 3) Object Code = 5910



SPENDING INDIRECT COSTS

- Current RCCD Policy
 - 83% of indirect costs collected is returned to the colleges
 - 17% is retained by the District
- IDC Reimbursement is used to support the grant management infrastructure
 - Business Services
 - Post-Award Grant Management
- Indirect Cost Reimbursement may be returned to the programs generating the indirect cost
- Indirect Costs may be used as incentives for grant participation



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HOW CAN INDIRECT COSTS HELP THE GRANTS

- Unrecovered indirect costs can be used for matching or cost sharing requirements with prior approval of the Federal awarding agency and the Grants & Sponsored Programs Office at the College or District level
- Grant Managers may consider requesting that a portion of the indirect generated be returned to the grant
 - Cost overruns
 - Unexpected needs
 - Additional programming
 - COLA increases



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QUESTIONS

