

Indirect Costs: A Post-Webinar Q & A for CSP Grantees

Thank you for attending the National Charter School Resource Center (NCSRC) webinar on April 29, 2020 titled [Indirect Costs Decoded](#). NCSRC received questions about indirect costs during and after the webinar from participants. The Indirect Cost Division (ICD) at the U.S. Department of Education has gathered responses to the grantee questions. Please see the questions and answers below, sorted by grant program:

- [Charter School Replication and Expansion \(CMO\)](#)
- [Dissemination](#)
- [Non-SEA/Developer](#)
- [State Entities \(SE\)](#)

If you have additional questions, please reach out to your program officer or NCSRC at contact-us@charterschoolcenter.org.

Charter School Replication and Expansion (CMO)

Question: Can a CMO grantee's award be amended midway through the project period to include indirect costs if the total award amount is not impacted?

Answer: No, if the grantee did not budget for indirect cost in their application, indirect cost cannot be claimed after the award has been made.

Question: Can you clarify for those LEAs without a negotiated indirect cost, are they required to apply for a negotiated rate if they receive the CSP grant directly from U.S. Department of Education (USED)?

Answer: If the newly awarded grantee budgeted for indirect cost in their application and does not have a negotiated rate with ED or another federal agency, then the grantee may either use the de minimis indirect cost rate per 2 CFR § 200.414(f) (assuming they never had a rate before) or must request a rate per the attachment in your GAN within the specified timeframe at the time of award. It is also important to note the de minimis rate is not applicable to restricted programs with supplement not supplant clauses and training grants.

Question: I am unclear on splitting someone's salary between indirect and direct costs. For example, for someone who supervises ELA curriculum for all schools and grades, would the time s/he spends supporting new grades be direct costs and the time s/he spends supporting other grades be indirect costs?

Answer: The position function described above is 100% direct costs. Often positions that benefit multiple activities (Federal award or other internally or externally funded activity) are mistaken for indirect costs. If for instance 50% of their time is a direct charge to Federal Award, it must be charged directly based on the benefit received from the internally or externally funded activities (see the example below). Direct administrative costs are often mistaken for indirect costs because they benefit multiple programs. However, the difference is that indirect costs are general administrative

costs such as accounting, payroll, human resources, and other costs that provide equitable benefit to programs administered by grantees whether federal or non-federal. Below is an example of an allocation methodology based on the % of time the employee(s) work on the cost objectives below for a total of \$100,000:

Cost Objective	% Time	Direct Personnel Costs
1- Federal Award	50%	\$50,000
2- Award or Internally Funded Activity	10%	\$10,000
3- Award or Internally Funded Activity	15%	\$15,000
4- Award or Externally Funded Activity	25%	\$25,000
Total	100%	\$100,000

Please note the costs are allocated to each program based on the time spent on each cost objective. The indirect cost pool must not be used to allocate administrative costs directly associated with programs. Examples of direct administration are salaries, benefits, and other expenses of the recipient's staff who perform the following functions:

- Managing overall program, program coordination, and office functions, including the salaries and related costs of the executive director, project director, and/or project evaluator.
- Preparing program plans, budgets schedules, and related amendments.
- Monitoring programs, projects, subrecipients, and related systems and processes.
- Developing systems and procedures, including management information systems, for assuring compliance with program requirements.
- Preparing reports and other documents related to the program requirements.
- Evaluating program results against stated objectives.
- Performing divisional-level administrative services, such as program-specific accounting, auditing, or legal activities.

Question: Can a CMO grantee use the 10% de minimus rate without a negotiation?

Answer: If a grantee has never received an indirect cost rate and budgeted for indirect costs in their application to the department, a 10% de minimus rate can be applied (if they are a direct USED recipient). It is also important to note the de minimis rate is not applicable to restricted programs with supplement not supplant clauses and training grants.

Question: For nonprofit charter schools, can they renegotiate an indirect cost during the life of the grant then do a budget modification when approved?

Answer: No, if the charter did not budget for indirect costs within the application, indirect costs may not be charged after an award is made even through a budget modification.

Question: Is the Department of Education approving multiple year indirect predetermined fixed rates or still limiting them to only covering one year at a time?

Answer: The Department does not negotiate fixed with carryforward indirect cost rates with entities that are not State Education Agencies (SEA) and State Agencies (SA). There is a risk the carryforward

amount would not be recovered if a grantee does not continue to do business with the Department. However, predetermined indirect cost rates are available for multi-year negotiations. If the entity exhibits cost experience and other pertinent facts available are deemed sufficient to enable the parties involved to reach an informed judgment as to the probable level of indirect costs during the ensuing accounting periods.

Question: As a CMO, the indirect cost rate proposal process is very time consuming. Is there a default rate that can be used?

Answer: When the ICD negotiates rates, the goal for the process is 180 days (6 months). Several factors go into the number of days, most importantly ensuring the proposed indirect cost rate is adequately supported. There is no default indirect cost rate once you receive an indirect cost rate, and you must go through the process. Maintaining an open dialogue with the ICD often leads to efficient negotiations that may occur less than 180 days.

Dissemination Grantee

Question: Is it common for provisional rates for future periods to be less than final rates from the prior period?

Answer: It depends. The final indirect rate calculation is based on actual financial data (audit report). For this reason, if the actual indirect cost rate supports a higher or lower indirect cost rate the provisional (interim) billing indirect cost rate must be adjusted. It is important to note the indirect cost rates are calculated to provide administrative reimbursement.

Non-SEA/Developer

Question: If a grantee has an existing award, would they be able to negotiate indirect costs over and above the existing award, or would the negotiated indirect costs eat into the award?

Answer: If the grantee budgeted for indirect costs within the application, the rate must be applied as negotiated and awarded funds must be adjusted accordingly from other line items if necessary. Indirect costs are a portion of the federal award not in addition to. As illustrated in the example below, indirect cost is a portion of the federal award. Additional funding for indirect costs is not awarded. Please note, if a grantee did not budget for indirect costs during the application period, indirect costs cannot be applied after awarded.

Indirect Cost Example:

Federal Award	\$10,000
Indirect Cost Rate	10%
Budgeted Direct Cost	\$9,091 (\$10,000/1.10)
Budgeted Indirect Costs	\$909 (\$10,000- \$9,091)
Federal Award (Direct+ Indirect)	\$10,000 (\$9,091+ \$909)

Question: A grantee has an objective to open a high-performing school in a specific area. The grantee is hiring school administrators in the pre-opening phase with the sole objective of opening the school.

Are the salaries and fringe benefits for these administrators indirect or direct costs? Again, the sole purpose of hiring these people is the same as the grant objective.

Answer: The salaries associated with administration of programs are direct costs. These costs should be allocated relative to the costs benefit received. Examples of direct administration are salaries, benefits, and other expenses of the recipient's staff who perform the following functions:

- Managing overall program, program coordination, and office functions, including the salaries and related costs of the executive director, project director, and/or project evaluator.
- Preparing program plans, budgets schedules, and related amendments.
- Monitoring programs, projects, subrecipients, and related systems and processes.
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State Entities (SE)

Question: If the State has a negotiated rate at the time of the State application to ED, and that rate for the state agency changes over the course of the grant, does the grantee draw indirect at the initial rate throughout the grant, or at the rate at the time of the expense?

Answer: The rate can change annually, and the grantee should work with their program officer to do budget modifications as necessary to adjust the rate. Please note, a grantee can always choose not to increase the indirect cost funding if the rate goes up, but if it goes down, the grantee would need to reallocate those funds elsewhere.

Question: Is whether or not the SE allows a subgrantee to expense indirect cost up to the SE?

Answer: During the webinar, CSP staff referenced the "Indiana" letter. Subgrantees may budget for indirect costs in their application to a state, however it should be noted, that generally that rate is negotiated by the SEA. Unless there is some statutory or regulatory basis for limiting indirect costs, subrecipients are entitled to indirect costs per 2 CFR § 200.331 Requirements for pass-through entities.

Question: With the limitation of the administrative cost in the federal statute, it is way lower than the ICR issued to a grantee by the ED. More of a statement than a question.

Answer: Please note it is up to the applicant if they want to charge indirect costs to a grant. The CSP program does not control the statutory limitations of the grant program or the rates that are negotiated. It should be noted that anything directly applied to the grant cannot also be charged as indirect -- we encourage grantees to work with their finance office to figure out the best way forward. The statutory limits are established by Congress and cannot be waived even if the rate is high and results in exceeding the limit of administrative funds. There is nothing that precludes the applicant from budgeting a smaller rate than negotiated. One cannot exceed the 5% NCLB or the 3% administrative cost restrictions, even if the SEA's ICR is 12%. ED encourages grantees to work with their budget division to navigate the limitations as established by Congress through CSP statute.