USDA

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TO: State Extension Directors/Administrators
        Directors, State Agricultural Experiment Stations
        Research Directors, 1890 Institutions
        Deans/Directors, Academic Programs
        Presidents, 1994 Institutions
        President, Hispanic-Serving Institutions

FROM: Colien Hefferan *Colien Hefferan*
        Administrator

SUBJECT: New Policy on Indirect Costs Under CSREES Awards Using
        Reimbursable Funds From Another Federal Agency

Effective immediately, indirect costs (otherwise known as facilities and administration costs) may be requested for awards supported with reimbursable funds that the Cooperative State Research, Education, and Extension Service (CSREES) accepts from another Federal agency. This change is in accordance with the Office of Management and Budget Circular No. A-21, Cost Principles for Educational Institutions, which states in Section G.11.a. (2)b. that only under special circumstances, when required by law or regulation, may an agency use a rate different from the negotiated rate for sponsored agreements. Additionally, the new policy reflects CSREES' commitment to the Federal government-wide effort to use consistent financial assistance policies wherever possible to meet the intent of the Federal Financial Assistance Management Improvement Act (Public Law 106-107).

It should be noted that there are instances where legislation requires CSREES to limit indirect costs to less than the full negotiated rate:

1. Section 1473 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (NARETPA), as amended (7 U.S.C. 3319), prohibits indirect costs for funds made available under established Federal-State partnership arrangements to the State cooperative institutions under the Acts referred to in section 1404(16) of NARETPA and funds made available under subsections c(1)(B) and (d) of Section 2 of the Act of August 4, 1965, as amended (7 U.S.C. 450i). This means that indirect costs may not be charged to funds such as the Hatch Act, Smith-Lever Act, Sections 1444 and 1445 funding for the 1890 Institutions, and certain Special Grants. In addition, these costs may not be charged to funds used to support cooperative agreements between CSREES and State cooperative institutions.

2. Section 1464 of NARETPA, as amended (7 U.S.C. 3310), provides that indirect costs charged against a competitive agricultural research, education, and extension

grant awarded under authorities delegated to the Under Secretary of Agriculture for Research, Education, and Economics shall not exceed 19 percent of the total Federal funds awarded. Therefore, the recovery of indirect costs under programs authorized by this legislation may not exceed the lesser of the institution's negotiated indirect cost rate or the equivalent of 19 percent of the total Federal funds awarded. This requirement is followed unless superseded by a subsequent law, such as the annual Appropriations Act (see 3. below).

3. Section 710 of the General Provisions of the FY 2005 Consolidated Appropriations Act (Public Law 108-792), limited indirect costs to 20 percent of Federal funds provided under most competitive programs. Therefore, the recovery of indirect costs under programs such as the National Research Initiative may not exceed the lesser of the institution's negotiated indirect cost rate or the equivalent of 20 percent of the total Federal funds awarded.

When CSREES accepts funds from another Federal agency, those funds will assume the same requirements and characteristics of the CSREES program for which they are being accepted. If the program is restricted in the amount of allowable indirect costs, that same restriction will be applied to the reimbursable funds. In the absence of any restriction on the recovery of indirect costs, the full negotiated rate may be applied.

Questions regarding this policy may be directed to Louise Ebaugh, Deputy Administrator, Office of Extramural Programs, on (202) 720-9181 or via e-mail at lebaugh@csrees.usda.gov.