

Additional Indirect Cost Information and Example for Grants under Restricted Rate Programs

If you are applying for a grant from the U.S. Department of Education (ED) under a Restricted Rate Program that is subject to a statutory “supplement not supplant” restriction, you are required to use a restricted indirect cost rate. See the Education Department General Administrative Regulations (EDGAR), 34 CFR 75.563 [discretionary grants] at <http://www.ed.gov/policy/fund/reg/edgarReg/edlite-part75e.html> or 34 CFR 76.563 [formula grants] at <http://www.ed.gov/policy/fund/reg/edgarReg/edlite-part76f.html>, as applicable, and 34 CFR 76.564 through 76.569 at <http://www.ed.gov/policy/fund/reg/edgarReg/edlite-part76f.html>.

Restricted rates for State Educational Agencies (SEA) are included on the SEA’s negotiated indirect cost rate agreement. Restricted rates for Local Educational Agencies are provided by the SEA, using a method approved by ED. The restricted rate requirements also apply to any subgrants from the prime recipient.

All applicants must use the restricted rate included on their negotiated indirect cost rate agreement. Applicants for discretionary grants that are not a State or Local government and do not have a negotiated restricted rate, may use the 8% rate described at §76.564(c)(2). If an applicant’s calculated restricted rate is less than 8%, the lower rate must be used for the application’s budget. The 8% rate in §76.564(c)(2) must also be multiplied by the modified total direct cost base described in §76.569.

For grants under Restricted Rate Programs, §76.569 requires that grantees multiply their restricted indirect cost rate by:

“Total direct costs of the grant minus capital outlays, subgrants, and other distorting or unallowable items as specified in the grantee's indirect cost rate agreement.”

Commonly, such a procedure is referred to as multiplying by a modified total direct cost base.

Below is a simplified example for calculating indirect costs for a Restricted Rate program using budget categories from the ED 524 form, Budget Information – Non-Construction Programs. The ED 524 and Instructions can be found at: <http://www.ed.gov/fund/grant/apply/appforms/appforms.html>

For the purposes of this example, a 6% restricted rate from a negotiated indirect cost rate agreement is used to calculate indirect costs.

1. Personnel	150,000
2. Fringe Benefits	50,000
3. Travel	10,000
4. Equipment	5,400
5. Supplies	600
6. Contractual	3,700
7. Construction	-
8. Other (tuition)	72,000
9. Total Direct Costs	<u>291,700</u>

Calculate Modified Total Direct Cost Base

Total Direct Costs 291,700

Less:

Equipment 5,400

Tuition 72,000

77,400

Modified Total Direct Cost Base:	214,300
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Multiply \$214,300 by 6% restricted rate: 12,858

10. Indirect Costs (using 6% restricted rate)	12,858
11. Training Stipends	-
12. Total Costs	<u>304,558</u>