

21stCCLC Budget Session: INDIRECT COST CALCULATION TIP SHEET

What is Indirect Cost?

Indirect costs are costs of activities that benefit more than one program or objective and, therefore, cannot be readily assigned to only one specific program or objective. They are generally classified under functional categories such as general maintenance and operation expenses, general office and administration expenses, general overhead expenses, and other allowable general expenses.

Indirect costs can be broadly defined as central administrative costs and certain other organization-wide costs that are incurred in connection with a grant, but that cannot readily be identified with the grant (e.g., payroll preparation, central purchasing).

How are Indirect Costs calculated?

Indirect costs generated for a grant are calculated by applying the local agency's indirect cost rate to the modified direct cost base of the grant (MDCB). These funds are used to support the central administrative costs.

What is the Indirect cost rate?

A notification letter is sent annually to each school district and BOCES when the rates are calculated. In addition, a letter is sent to other types of agencies that had a grant/grant-contract in the prior year notifying them of their annual indirect cost rate. You may contact Grants Finance at grantsweb@nysed.gov or (518) 474-4815 if you are unsure of your rate.

This rate must be used with the initial FS10. After a request is approved to increase the rate, an FS10A must be submitted to show the adjustment in the budget.

The indirect cost rate for my agency is very low. Is it possible to receive a higher rate?

Agencies that are not a school district, BOCES, or included in the category of colleges and universities can request a higher rate by completing and submitting an application to appeal form (FS-87-R). Presently, the maximum rate is 8%. To request a form, [contact Grants Finance](#).

What is the modified direct cost base (MDCB)?

The MDCB is the total direct costs of a grant less equipment, minor remodeling, purchased services with a BOCES, the portion of each subcontract exceeding \$25,000, and any flow through funds.

STEP #1

Calculate the MDCB by adding the following together.

| | |
|--------------------------|-----------|
| + Professional Salaries | \$100,000 |
| + Support Staff Salaries | \$12,000 |
| + Supplies and Materials | \$7,000 |
| + Travel | \$2,000 |
| + Employee Benefits | \$30,000 |

SUBTOTAL #1 **\$151,000**

STEP #2

In the next step, review the proposed expenditures in Purchased Services category. Add in each vendor cost in this category **UP TO \$25,000**.

Example:

| ITEM | PROVIDER | CALCULATION | PROPOSED | How much to include for Indirect |
|--|---------------------|------------------------------|----------|----------------------------------|
| Food club classes (400 students) | Boys and Girls Club | \$416.66/week (48 weeks) | \$20,000 | \$20,000 |
| Drama class (200 students) | Boys and Girls Club | \$1,000/mo x 12 mo | \$12,000 | \$5,000 |
| Dance class (150 students) | On Pointe | \$20/ student x 500 students | \$10,000 | \$10,000 |
| Cell service | TMobile | \$60 mo x 12 mo | \$720 | \$720 |
| Evaluation services | ABC Evaluator | 6% of award (\$1,200,000) | \$72,000 | \$25,000 |
| SUBTOTAL #2 (TO INCLUDE FOR PURCHASED SERVICES) | | | | \$60,720 |

In this example, you would include a maximum of \$25,000 for these two lines in yellow highlight toward the amount for Purchased Services because they are both for the same vendor (Boys and Girls Club).

In this example, you would include a maximum of \$25,000 for the line in green highlight toward the amount for Purchased Services.

STEP #3

Add the **SUBTOTAL #1** (\$151,000) and **SUBTOTAL #2** (\$60,720) = **\$211,720**.

This is the *Modified Direct Cost Base (MDCB)*. This is the amount that is multiplied against the Indirect Cost Rate.

In this example, if the Indirect Cost Rate was 2.5%, the Indirect Cost would be **\$211,720 x 2.5% = \$5,293**.

- Programs are **not required** to calculate Indirect Cost. This code can be zero on an FS10.
- Programs are **not required** to include the maximum Indirect Cost. This code can be less than the maximum available as calculated.
- Programs **cannot** use a higher percentage than approved rate.

Note that when adjustments are made to the FS10 (after the initial modified direct cost base is calculated), the Indirect Rate *may* be affected. If changes are made to the FS10, **RECALCULATE** the modified direct cost base to ensure it is still correct as initially calculated.