

Indirect Cost Rates

An indirect cost rate is a means of determining in a reasonable manner the percentage of allowable general management costs that each federal grant should bear. Indirect costs are general and administrative costs such as the salaries and expenses for people who are engaged in cross-cutting management activities from which the entire Colorado Springs School District 11 (the District) benefits. Indirect costs are recovered only to the extent of direct costs incurred.

Classification of Costs

Direct Costs

Direct costs are those that can be identified specifically with a particular cost objective. These costs may be charged directly to grants, contracts, or to other programs against which costs are finally assigned. Typical direct costs chargeable to a grant include, but are not limited to:

- a) Compensation of employees for the time devoted and identified specifically to the performance of those programs;
- b) Cost of materials acquired, consumed, or expended specifically for the purpose of those programs;
- c) Travel expenses incurred specifically to carry out the program; etc.

Indirect Costs

Indirect costs are those costs which are not readily identifiable with the activities of the grant but are, nevertheless, incurred for the joint benefit of those activities and other activities or programs of the organization.

In accordance with Office of Management Budget (OMB) 2 CFR Section 200.414 , indirect costs are costs meeting the following criteria:

- a) Incurred for a common or joint purpose benefiting more than one cost objective; and
- b) Not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved.

Generally, salaries and expenses for auditing, budgeting, payroll, personnel, purchasing, and employee relations are examples of services which typically benefit several activities and programs for which costs may be attributed by means of an indirect cost proposal. In theory, all such costs can be charged directly. However, practical limitation and consideration of efficiency in accounting preclude such an approach and therefore these costs are considered indirect.

A cost may not be allocated to a federal financial assistance program as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to a federal financial assistance program as a direct cost.

Rate Types

Restricted Rates

The State Education Agency (SEA) for the State of Colorado computes a restricted rate for the District for use in each fiscal year based on the financial information the District provides. As described in the Education Department General Administrative Regulations (EDGAR), subparagraph 75.563, Restricted Rate – Programs Covered, and 76.563, Restricted Rate – Programs Covered, restricted rates are intended for use under grants with the “supplement not supplant” requirements, as such, restricted grants include only indirect costs consisting of **general management costs** and **fixed charges** as defined below:

General management costs consist of the salaries and expenses for employees performing accounting, payroll preparation, or personnel management activities. Those activities that are limited to one school, subject, or phase of operation, are not general management costs such as the salaries and expenditures related to the direction and supervision of such functions as instruction, guidance, attendance, transportation, community services, and student services. The costs of these functions are considered direct costs.

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Reviewed August 26, 2020

LEGAL REFS.: 2 CFR § 200.414
Education Department General Administrative Regulations (EDGAR),
subparagraph 75.563

CROSS REFS.: DD, Grants – Pre-Award Planning and Budgeting
DD-R-1, Cost Sharing/Matching
DD-R-2, Supplantation
DD-E-1, Internal Intent to Apply form
DD-E-2, External Intent to Apply form
DE, Grants - Post Award Expenditures/Disbursements
DE-R-1, Allowable Use of Funds
DE-R-2, Time and Effort
DE-R-4, Audit/Audit Resolution
DE-R-5, Grant Reporting
DE-E-1, Time and Effort form – Single Cost Objective
DE-E-2, Time and Effort form – Partial Payment
DE-E-3, Time and Effort form – Multiple Cost Objectives
LC, Research Projects, Studies, Experiments, and Surveys