



## **Gulf Coast Ecosystem Restoration Council**

### **Instructions for Calculating Allowable Indirect Costs**

Under the three percent (3%) cap for administrative costs

*(33 U.S.C. § 1321(t)(1)(B)(iii)(I) and 31 C.F.R. § 34.204)*

#### Introduction

Under the RESTORE Act<sup>1</sup> and the Final Rule<sup>2</sup> issued by the Department of the Treasury concerning the investment and use of funds deposited in the Gulf Coast Restoration Trust Fund, not more than three percent of the amounts received by a grant recipient from the RESTORE Council under the Council-Selected Restoration Component or Spill Impact Component may be used for administrative costs. The three percent limitation (“Cap”) is applied to the total amount of funds received by a recipient under each grant.<sup>3</sup>

Grants do not generally categorize costs as “administrative” or non-administrative; however, to comply with the Act, the Treasury regulation defines “administrative costs” and imposes a ceiling on those costs. *Administrative costs* are defined<sup>4</sup> as “those indirect costs for administration incurred by the Gulf Coast States, coastal political subdivisions, and coastal zone parishes that are allocable to activities authorized under the Act. Administrative costs do not include indirect costs that are identified specifically with, or readily assignable to facilities as defined in 2 CFR 200.414.”

Grant recipients may charge indirect costs to a grant under an approved Negotiated Indirect Cost Rate Agreement (NICRA). Recipients that do not have a NICRA have the option of using a *de minimis* indirect cost rate of 10 percent.<sup>5</sup>

As a result of reconciling the administrative cap limitation under the Act against the indirect costs as determined under a NICRA, the cap may reduce the amount of funds allowable for indirect costs in a grant award, depending on the circumstances. The cap does not apply to the administrative costs of subrecipients; those costs will be governed by general requirements in OMB’s Uniform Guidance (2 C.F.R. Part 200).

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<sup>1</sup> The Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (Pub. L. 112-141)

<sup>2</sup> 31 C.F.R. Part 34

<sup>3</sup> 31 C.F.R. § 34.204

<sup>4</sup> In 31 C.F.R. § 34.2

<sup>5</sup> 2 C.F.R. § 200.414

To determine allowable administrative costs, it is recommended that grant applicants use the spreadsheet “3 percent admin cap.xls” (Figure 1). However, whether using the spreadsheet or following the manual steps below, step one is to perform an analysis of the NICRA to determine the indirect cost rate portion for the facilities indirect costs, and the indirect cost rate portion for administrative indirect costs.

In lieu of using the spreadsheet, applicants may use the following methodology.

1. Determine the portion of the NICRA that is associated with facilities costs, and the portion of the NICRA that is associated with administrative costs. (See §200.56 and §200.414 for the definitions of indirect facilities and administrative costs).
2. Using a form SF424A as a worksheet, enter all direct costs on lines 6a through 6h.
3. Apply the facilities percentage to the allocation base, and add the amount calculated to any direct cost amount entered on line 6h “other” costs.
4. Apply the administrative percentage to the allocation base and enter the amount in “indirect costs.”
5. Add together all direct costs, facilities indirect costs and administrative indirect costs to determine the total funding required for the project.
6. Multiply the total calculated in step 5 by three percent (0.03).
  - a. If the amount of indirect administrative costs is equal to or less than 3% of the total grant funds requested as calculated in step 6, no change is required.
  - b. If the amount of indirect administrative costs is greater than 3% of the total calculated in step 6, replace the original amount calculated for indirect administrative costs with the amount calculated in step 6.
7. Repeat step 6. Since the calculation is circular, the amount of indirect administrative costs will be less than the amount allowed. Step 6 may be repeated several times in order to include the maximum amount of indirect administrative costs.

### Using the Spreadsheet

The spreadsheet “3 percent admin cap.xls” is based on the Standard Form 424A, *Budget Information - Non-construction Programs*. Applicants should enter the budget information from the SF-424A directly into the spreadsheet through row 6h and then follow steps 1-5 for the indirect costs analyses. Allowable indirect costs are automatically calculated<sup>i</sup> based on total direct costs plus indirect facilities costs. The spreadsheet also includes examples under separate tabs to illustrate its use.

Recipients may contact the Grants Office for assistance in determining the breakdown of indirect costs between facilities and administrative or in using the spreadsheet template.

The spreadsheet does not specifically address indirect costs of subrecipients, which are not subject to the cap<sup>6</sup>. If the recipient will pass through funds to one or more subrecipients, the subrecipient’s indirect costs should be included as direct costs on the spreadsheet (include in “Contractual expenses” and provide a supplementary chart detailing the expenses). The recipient may contact the Grants Office for assistance or questions related to addressing indirect costs for subrecipients.

The template is shown on below, and a completed example follows.

<b>Pro-Forma Budget Template for 3% Administrative Cap Calculation</b>						
SF424A						
SECTION B - BUDGET CATEGORIES						
6	Object Class categories	GRANT PROGRAM, FUNCTION OR ACTIVITY				TOTAL
		(1) Federal	2	3	4	5
6a	Personnel					-
6b	Fringe Benefits					-
6c	Travel					-
6d	Equipment					-
6e	Supplies					-
6f(1)	Contractual					-
6f(2)	Subrecipients					-
6g	Construction					-
6h	Other					-
6h(1)	Other: Indirect Costs for facilities (not subject to the 3% Cap)	-				
6i	Total Direct Costs plus Facilities Indirect Costs not subject to the 3% Cap (sum of 6a - 6h(1))	-				-
6j	Allowed Indirect Charges (enter the lesser of "allowable indirect costs subject to the 3% cap" or the indirect costs for administrative costs based on the NICRA)	-				-
6k	TOTAL (sum of 6i and 6j)	-				-
6	Program Income	-				-
Step 1	Enter your Negotiated Indirect Cost Rate					
Step 2	Enter the allocation base for this project					
Step 3	<b>TOTAL CALCULATED INDIRECT COSTS under the NICRA (D22*D23)</b>		-			
Step 4	Enter the Percent of the NICRA associated with facilities indirect costs					
	<b>INDIRECT COSTS FOR FACILITIES CHARGES per the NICRA (D25*D23)</b>		-			
Step 5	Enter the Percent of the NICRA associated with administrative indirect costs					
	<b>INDIRECT COSTS FOR ADMINISTRATIVE CHARGES per the NICRA (D27*D23)</b>		-			
<i>(see §200.57 and §200.414 for definition of Facilities and Administrative (F&amp;A) costs)</i>						
<b>3 % ADMINISTRATIVE COST CAP CALCULATION</b>						
	Total Direct Charges (from line 6i)		-			
	Factor to apply to Total Direct Charges	0.0309278				
	<b>Allowable indirect charges subject to the 3% cap</b>		-			
<i>Proof</i>						
	Total Cost		-			
	3% administrative cap	3.0%	-			

Will be entered automatically on line 6h(1) above

The lesser of these values is entered automatically on line 6j

<sup>6</sup> 31 C.F.R. § 34.204

<b>Pro-Forma Budget Template for 3% Administrative Cap Calculation</b>						
SF424A						
SECTION B - BUDGET CATEGORIES						
6	Object Class categories	GRANT PROGRAM, FUNCTION OR ACTIVITY				TOTAL
		(1) Federal	2	3	4	5
6a	Personnel	95,500				95,500
6b	Fringe Benefits	31,000				31,000
6c	Travel	3,254				3,254
6d	Equipment					-
6e	Supplies					-
6f(1)	Contractual	41,250				41,250
6f(2)	Subrecipients					
6g	Construction					-
6h	Other					-
6h(1)	Other: Indirect Costs for facilities (not subject to the 3% Cap)	6,962				
6i	Total Direct Costs plus Facilities Indirect Costs not subject to the 3% Cap (sum of 6a - 6h(1))	177,966				177,966
6j	Allowed Indirect Charges (enter the lesser of "allowable indirect costs subject to the 3% cap" or the indirect costs for administrative costs based on the NICRA)	5,504				5,504
6k	TOTAL (sum of 6i and 6j)	183,470				183,470
6	Program Income	-				-
Step 1	Enter your Negotiated Indirect Cost Rate		28.48%			
Step 2	Enter the allocation base for this project		95,500			
Step 3	<b>TOTAL CALCULATED INDIRECT COSTS under the NICRA</b> (D22*D23)		27,198			
Step 4	Enter the Percent of the NICRA associated with facilities indirect costs		7.29%			
	<b>INDIRECT COSTS FOR FACILITIES CHARGES per the NICRA</b> (D25*D23)		6,962			
Step 5	Enter the Percent of the NICRA associated with administrative indirect costs		21.19%			
	<b>INDIRECT COSTS FOR ADMINISTRATIVE CHARGES per the NICRA</b>		20,236			
<i>(see §200.57 and §200.414 for definition of Facilities and Administrative (F&amp;A) costs)</i>						
<b>3 % ADMINISTRATIVE COST CAP CALCULATION</b>						
	Total Direct Charges (from line 6i)		177,966			
	Factor to apply to Total Direct Charges	0.0309278				
	<b>Allowable indirect charges subject to the 3% cap</b>		5,504			
<i>Proof</i>						
	Total Cost		183,470			
	3% administrative cap	3.0%	5,504			

Will be entered automatically on line 6h(1) above

The lesser of these values is entered automatically on line 6j

### Calculation of Allowable Costs on the Spreadsheet

Because the cap is imposed on the total funds awarded, an iterative process is required to determine the allowable indirect costs where these charges initially exceed the cap. The spreadsheet uses a derived factor to simplify this process. In the spreadsheet, this factor is applied to all direct costs plus indirect facilities costs not subject to the cap, to calculate the allowable indirect charges, and these are shown as "Allowable indirect administrative costs subject to the 3% cap" (in cell D32).

To view an example of how this factor was calculated or to perform the iterative process of calculating allowable indirect costs on a specific grant, see the spreadsheet tab entitled "calculation of factor".

Once the allowable indirect costs have been calculated, this value can be verified by multiplying the total cost (direct costs plus allowable indirect costs) by three percent (0.03). The allowable indirect costs must not exceed three percent of the total costs.