

MEETING DATE: February 10, 2022

AGENDA ITEM: L

TO: BSCC Chair and Members

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SUBJECT: Indirect Cost Rate: Updated Option for State-Funded Grants
Requesting Approval

Summary

This agenda item requests Board approval to increase the maximum indirect cost rate percentage allowed for state grant-funded projects to a grantee's federally approved indirect cost rate, not to exceed 20 percent.

Background

Indirect Cost

Indirect grant project costs are shared costs that cannot be directly assigned or identified to a particular activity but are incurred and necessary for the operation of a grantee-organization and the performance of the project. Examples of indirect costs include, but are not limited to, rent and utilities, office supplies, administrative salaries and fringe benefits (such as managerial, clerical, accounting, human resources, and information technology).

An indirect cost rate is a mechanism for determining fairly, within the parameters of administrative accounting principles, what share of a department or an organization's administrative costs each program should bear.

Historically, the BSCC Corrections Planning and Grant Programs (CPGP) Division has allowed state grant award recipients to claim a 10 percent maximum for indirect costs, which is in alignment with the federal government's de minimis rate of 10 percent.¹

However, this de minimis rate, is not representative of the indirect costs incurred by many of the BSCC's grantees as several have federally approved indirect cost rates that exceed the 10 percent cap. Below is a survey of all CPGP's grant recipients (both state and federal) as to whether their department/organization had an indirect cost rate, whether that rate was federally approved, and what was their approved rate. Results were as follows:

- 216 responses were received over a 2-week period.
- Of the 216 responses, 28 shared they have a federally approved indirect cost rate.

¹ The federal de minimis rate applies to those departments/organizations that do not have a federally approved negotiated indirect cost rate and allows grantees to charge a rate of 10% of modified total direct costs. Costs must be consistently charged as either indirect or direct costs but may not be double charged or inconsistently charged as both. (2 C.F.R. § 200.414, subd. (f).)

- Three respondents had a federally approved rate above 50%. These included two universities and one city.
- 188 reported using the federal de minimis rate (10 percent), an internal indirect cost rate, or were unsure if their organization had a federally approved indirect cost rate that was being followed.
- Removing the three outlier respondents (with rates above 50%), the survey results revealed:
 - A mode of 14.26 percent – the value that occurred most often
 - A median of 14.50 percent – half the values appear below this number, and half above
 - **An average of 17.59 percent**
 - A range of 5.75 percent - 35.47 percent

Based on the above results, the CPGP Division is requesting the maximum allowable indirect cost rate not to exceed 20 percent, for those organizations that have a federally approved rate. All organizations will be required to submit their federally approved rate documentation in order to receive reimbursement.

For those organizations that do not have a federally approved indirect cost rate, the CPGP Division recommends allowing state funded grantees to continue to use the process set forth in their existing BSCC grant agreements for determining indirect costs.

Recommendation/Action Needed

Staff recommends that the Board:

1. Approve a maximum 20 percent for indirect expenditures for state grant-funded programs that have a federally approved indirect cost rate. This change is to apply prospectively to programs that currently do not have fully executed grant agreements.