



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 Act¹ and the regulations issued by the Department of the Treasury concerning the investment and use of funds deposited in the Gulf Coast Restoration Trust Fund,² 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.³

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 defined⁴ 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.⁵

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

² 31 C.F.R. Part 34

³ 31 C.F.R § 34.204

⁴ In 31 C.F.R. § 34.2

⁵ 2 C.F.R. § 200.414

As a result of reconciling the administrative cap requirement of the Act with NICRAs, 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).⁶

To determine allowable administrative costs, grant applicants can use the spreadsheet "3 percent admin cap.xls" (Figure 1). Alternatively, grantees can calculate the allowable administrative costs manually using the following methodology.

1. The indirect costs for the recipient are calculated based on the NICRA or approved alternative method where a NICRA is not available.
2. The direct and indirect costs are then added to determine the total funding anticipated.
3. The total amount of funds anticipated is then multiplied by three percent (0.03) to verify that the amount of indirect costs is no more than 3% of the total grant funds requested.

If the calculated indirect costs are less than the Cap, then all indirect costs are allowable.

If the calculated indirect costs exceed the Cap, then adjustments to the indirect costs must be made to reduce the claim for indirect costs to an amount at or below the Cap.

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. Allowable Indirect Charges are automatically calculated based on total Direct Costs. The spreadsheet also includes examples under separate tabs to illustrate its use.

The spreadsheet does not specifically address indirect costs of subrecipients, which are not subject to the Cap. 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.

⁶ 31 C.F.R. § 34.204

Calculation of Allowable Costs

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 to calculate the allowable indirect charges, and these are shown as "Allowable indirect charges subject to the 3% cap" (in cell D24).

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.

Figure 1: Example spreadsheet for calculating allowable administrative costs

SF424A

SECTION B - BUDGET CATEGORIES						
5	Object Class categories	GRANT PROGRAM, FUNCTION OR ACTIVITY				TOTAL 5
		(1) Federal	(2) State	3	4	
a	Personnel	213,454	29,546			243,000
b	Fringe Benefits	53,364	7,386			60,750
c	Travel	4,704	651			5,355
d	Equipment	3,514	486			4,000
e	Supplies	3,514	486			4,000
f	Contractual	2,108,787	291,885			2,400,672
g	Construction					-
h	Other					-
i	Total Direct Charges (sum of 6a - 6h)	2,387,337	330,440			2,717,777
j	Allowed Indirect Charges (enter the lesser of "allowable indirect charges" calculated below, or the original budgeted indirect charges)	73,835	11,153			84,988
k	TOTALS (sum of 6i and 6j)	2,461,172	341,593			2,802,765
6	Program Income	-	-			-

BUDGETED INDIRECT CHARGES under NICRA	80,580	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> The lesser of these values is entered on line 6j above. </div>
3 % ADMINISTRATIVE COST CAP CALCULATION		
Total Direct Charges 2,387,337 Factor to apply 0.0309278 Allowable indirect charges subject to the 3% cap 73,835		
Proof		
Total Cost	2,461,172	
3% administrative cap	3% 73,835	