



Illinois Department of Commerce & Economic Opportunity

Indirect Cost and Indirect Cost Rates

Overview

Indirect Costs are those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. Examples of indirect costs are administrative personnel salaries such as accounting staff or the director of an organization. These costs normally benefit the entire organization and cannot be easily assigned to one program or cost objective.

However, if the administrative staff mentioned above were to keep time sheets and document how much time they worked on specific projects those costs that are attributable to that project could be claimed as a direct cost. But most overhead costs are difficult to assign to a specific project/program and are therefore indirect.

Indirect Cost Rate Selection

To recoup indirect costs, an indirect cost rate will need to be determined. Currently, the State of Illinois allows the grantee to choose how they want to calculate their indirect cost recovery. To start the process, one of the options will have to be chosen in the GATA portal. The options being allowed that the grantee can choose from are as follows:

1. Negotiate an indirect cost rate with the State of Illinois
If this is chosen you will receive an invite to the CARS system where you will need to supply things such as your Cost Policy Statement, Organizational Chart and a spreadsheet that lists your costs, from your last audited financial statements and how they were allocated. A great worksheet can be found at Grants.Illinois.gov website.
2. 10% De Minimis rate (10% of the Modified Total Direct Costs (MTDC))
MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award). *MTDC* excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.
3. Federal Negotiated Indirect Rate
If a grantee received funds directly from the federal government, the indirect rate is negotiated with the organization's federal cognizant agency. The documentation will be required to be furnished to verify the rate. The state will honor the federally negotiated rate.
4. Waive indirect

If this is chosen no indirect costs can be reimbursed from the grant.

There are grants given by State Agencies that don't allow for indirect which should be documented in the Notice of Funding Opportunity (NOFO). The most common ones are funds being given for capital projects and funded with bond funds.

Indirect costs are also classified as administrative type costs; therefore, you need to be aware of any administrative cost limitations on a grant that you receive.

An indirect cost proposal or rate election must be initiated within the Centralized Indirect Cost Rate system accessed through the Grantee Portal (<https://grants.illinois.gov/portal/>) upon acceptance of the Uniform Grant Agreement. The indirect cost proposal or rate must be completed no later than three months after the effective date of the award. Additional information can be found in the Illinois Administrative Code in Ill. Admin. Code tit. 44 § 7000.420 - <https://www.ilga.gov/commission/jcar/admincode/044/044070000E04200R.html>

Uniform Guidance (2 CFR 200.414 - <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E/subject-group-ECFRd93f2a98b1f6455/section-200.414>) requires annual submission of an indirect cost proposal or rate election. The Centralized Indirect Cost Rate System accessed via the Grantee Portal will be used for annual renewals. Annual submissions must be received within six months after the grantee's fiscal year end.

Waive and De Minimis elections will not require annual submissions. These elections will remain in effect in perpetuity until the grantee/subrecipient change their election type.