

Montana Carl D. Perkins Policy and Procedures Manual

Subject: Fiscal Program Responsibility
Policy: Indirect Costs
Effective: July 1, 2007
Revised: Not Applicable

Indirect costs are the costs that are not readily identified with a particular grant but are necessary for the general operation of the organization and the conduct of activities it performs. Cost allocation plans or indirect cost rates are used as a mechanism to determine a fair and convenient proportion of departmental or organization administration costs charged against each program.

Carl Perkins grants fit the description of a training grant. These grants have a statutory requirement prohibiting the use of federal funds to supplant non-federal funds. For this reason, indirect cost reimbursement is limited to the approved restricted indirect cost rate for the institution, or eight percent (8%) of a modified total direct cost base, whichever amount is less. The costs excluded to determine the modified direct cost bases can be found in [EDGAR 34](#) CFR 76.563 through 76.568.

In order to claim an indirect cost against a Carl Perkins grant, a grantee must have a current approved indirect cost rate from the agency where they receive the majority of federal funds. A copy of that approved rate must be filled with the Commissioner of Higher Education by October of each year.

The Commissioner of Higher Education, on the basis of a plan approved by the Office of Vocational and Adult Education (OVAE) Secretary, can approve an indirect cost rate requested by any local educational agency if it meets the definition of small institution provided in OBM [Circular A-21](#), section H. If a two-year institution chooses to submit a proposal using the Simplified Method, it must be submitted to the federal accountant at the Office of the Commissioner of Higher Education (OCHE) for review by October of each year and a rate will be approved for the current grant period only.

Secondary

Secondary schools can submit their indirect cost agreement/proposal to the Office of Public Instruction. See [OPI Federal Grants Handbook; Section 300 Procedures](#).

How to use the restricted indirect cost rate is covered in [EDGAR 34](#) CFR 76.569.

At the state level, indirect costs are considered part of a five percent (5%) administrative cap restriction imposed by the Carl Perkins legislation, but indirect

costs are not the only costs included. Other allowable direct costs of administering the grant may be included as an administrative expense up to five percent.