

# ESSA Quick Reference Brief: Administrative Costs

**Administrative costs** are the costs to administer a specific program. These costs may be both personnel and non-personnel and include both direct and indirect costs.

## *Direct Administrative Costs*

- **Direct administrative costs**<sup>1</sup> are those costs that are specific to a particular grant. For federal programs, this is often costs for personnel to administer the program, but can also include costs for materials, travel or other expenses that cannot be charged to another program. Some programs have limits on administrative costs while others do not.

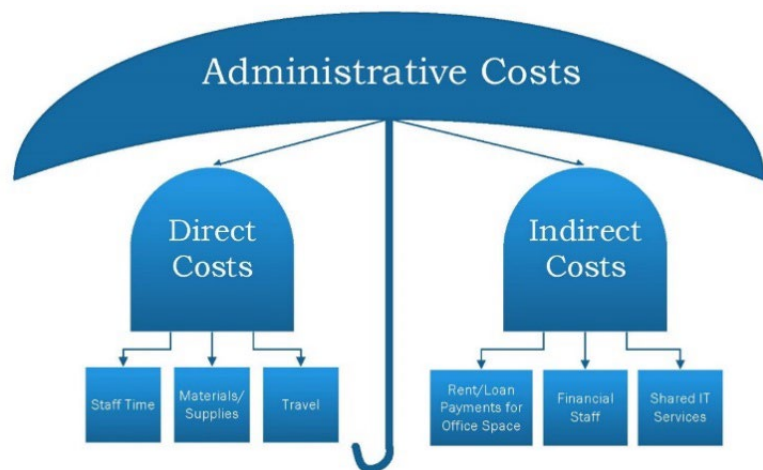
Keeping in mind that all direct administrative costs must be “reasonable and necessary”<sup>2</sup>, examples could include:

- Overall program management, program coordination, and office management functions, including the salaries and related costs of the project director and/or project evaluator;
- Preparing program plans, budgets schedules, and related amendments;
- Monitoring of programs, projects, subrecipients and related systems and processes;
- Developing systems and procedures, including management information systems, for assuring compliance with program requirements;
- Preparing reports and other documents related to the program requirements; and
- Evaluating program results against stated objectives.

## *Indirect Costs*

- **Indirect costs**<sup>3</sup> represent the expenses of doing business 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. Examples could include:

- Rent
- Utility costs
- Human resources and fiscal staff



The amount a district charges for indirect costs cannot exceed the district’s approved indirect rate that is negotiated with ODE or any administrative cost cap.

<sup>1</sup> CFR §200.413

<sup>2</sup> CFR §200.404

<sup>3</sup> CFR §200.414

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## What the Law Says

The Uniform Grant Guidance (UGG) provides that any non-federal recipient<sup>4</sup> of a federal grant is allowed to charge, in addition to direct costs, their negotiated indirect cost rate. The only exception is where authorizing grant legislation explicitly restricts the reimbursement of these costs (also called administrative cost limit/cap or indirect cost limit/cap). As defined in the Education Department General and Administrative Regulations (EDGAR)<sup>5</sup>, negotiated rates apply to grants made under federal programs with supplement-not-supplant requirements. Most of the federal grants districts obtain through the U.S. Department of Education (ED) have supplement-not-supplant requirements and a negotiated indirect cost rate must be used on the programs.

## Caps on Direct Administrative Costs

Program	Cap?	How is the cap determined?
Title I-A	No	Reasonable and necessary test
Title I-C	No	Reasonable and necessary test
Title I-D	No	Reasonable and necessary test
Title II-A	No	Reasonable and necessary test
Title III*	Yes; 2%	<i>“Each eligible entity receiving funds under section 3114(a) for a fiscal year may use not more than 2 percent of such funds for the cost of administering this subpart.”<sup>6</sup></i>
Title IV-A*	Yes; 2%	<i>“Of the amount received under subsection (a)(2), a local educational agency may reserve not more than 2 percent for the direct administrative costs of carrying out the local educational agency’s responsibilities under this subpart.”<sup>7</sup></i>
Title IV-B	No	Reasonable and necessary test
McKinney-Vento	No	Reasonable and necessary test

\*Districts that choose to claim direct administrative costs up to 2% must reduce the amount entered in the indirect rate column of the CIP Budget Narrative Consolidated Spending Page so that **the total claimed in administrative costs does not exceed the district’s approved indirect rate.**

## Indirect Rate Requirements

ODE calculates district indirect rates on behalf of ED. Districts must receive their approved indirect rate from ODE’s Office of Finance and Information Technology and may charge up to the approved percentage to the federal grant for any indirect costs associated with the grant. The indirect rate expires annually and districts must apply for it by September 30<sup>th</sup> each year through the district secure site. Districts are not required to claim indirect costs, but may not charge indirect to a grant without an ODE-approved indirect rate. Districts enter this approved indirect rate on the Consolidated Spending Page of the CIP Budget Narrative.

## Resources

- [Code of Federal Regulations](#)
- [Accounting and Financial Services web page](#) (ODE)
- [Indirect Cost Plan: Information, Guidance and Application of Indirect Rates](#) (ODE)

<sup>4</sup> CFR §200.1 Definitions - **Non-Federal entity (NFE)** means a State, local government, Indian tribe, Institution of Higher Education (IHE), or nonprofit organization that carries out a Federal award as a recipient or subrecipient.

<sup>5</sup> 34 CFR 75.563 and 76.563

<sup>6</sup> ESSA Section 3115(b)

<sup>7</sup> ESSA Section 4105(c)