

# Calculating Indirect Cost (IDC)

Texas A&M Forest Service  
Grants Program Training Series

# What is indirect cost?

Examples

Why charge to grants?

Who negotiates rate?

FY15 - FY18 rates

Modified Total Direct Cost

## 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.”*

(2 CFR 200.56)

in other words, these costs are necessary for the organization to operate in an efficient manner and cannot be easily assigned to any one grant.

# What may be considered indirect costs?

## Examples

Why charge to grants?

Who negotiates rate?

FY15 - FY18 rates

Modified Total Direct Cost

## Examples:

### Centralized Administration & Facilities Maintenance

- Human Resources
- Payroll
- Computer Support
- Accounting Services
- Purchasing
- Inventory Control
- Grants Management
- Facilities & Grounds Maintenance

### Departmental Costs

- Salaries of clerical & administrative staff
- Utilities
- Phones
- General office supplies
- Computers & electronics
- Uniforms
- Automobiles
- Office furnishings
- Postage
- Copy machines

# Why charge indirect costs to grants?

Examples

Why charge to grants?

Who negotiates rate?

FY15 - FY18 rates

Modified Total Direct Cost

It is required by System regulation

*“It is the intent of the state legislature that all state agencies and institutions establish guidelines to recover all F&A [IDC] costs based on the rates negotiated with the federal cognizant agency.”*

System Regulation 15.01.01 Section 8.2

# Who negotiates the indirect cost rate?

Examples

Why charge to grants?

Who negotiates rate?

FY15 - FY18 rates

Modified Total Direct Cost

## It is negotiated by the System

The System Office of Budgets & Accounting is responsible for preparing and negotiating the Indirect Cost rate agreement, also known as the Facilities and Administrative (F&A) agreement, for all the College Station-based components (including TFS) and Texas A&M University at Galveston.

System Policy 15.01.01. Section 8.1

# Indirect Cost Rates for FY15 - FY18:

Facilities and Administrative Cost Rates For All College Station-Based System Components & TAMUG					
<u>TYPE</u>	<u>FROM</u>	<u>TO</u>	<u>RATE (%)</u>	<u>LOCATION</u>	<u>APPLICABLE TO</u>
PRED.	09/01/2014	08/31/2015	45.50 MTDC	On Campus	Organized Research
PRED.	09/01/2015	08/31/2018	48.50 MTDC	On Campus	Organized Research
PRED.	09/01/2014	08/31/208	48.50 MTDC	On Campus	Instruction
<b>PRED.</b>	<b>09/01/2014</b>	<b>08/31/2018</b>	<b>28.00 MTDC</b>	<b>On Campus</b>	<b>Other Sponsored Activities*</b>
PRED.	09/01/2014	08/31/2018	8.50 MTDC	On Campus	IPA Programs
PRED.	09/01/2014	08/31/2018	26.00 MTDC	Off Campus	All Programs**
PROV.	09/01/2018	08/31/2020			Use same rates and conditions as those cited for fiscal year ending August 31, 2018.

# What is Modified Total Direct Cost (MTDC)?

Examples

Why charge to grants?

Who negotiates rate?

FY15 - FY18 rates

Modified Total Direct Cost

## Modified Total Direct Cost

**Base:** All salaries & wages, fringe benefits, materials, supplies, services, travel and subgrants & subcontracts up to the first \$25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract). *These items are charged IDC.*

Modified total direct costs shall **exclude** equipment, capital expenditures, charges for patient care, student tuition remission, rental costs of off-site facilities, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of \$25,000. *These items are NOT charged IDC.*

# Calculating IDC

Front-in

Step 1

Step 2

Step 3

Step 4

## Front-in method

If the total budget has yet to be determined, use the following formula to calculate IDC:

$$\text{Total Direct Costs} - \text{IDC Exempt Costs} \times \text{IDC rate} = \text{IDC}$$



# Calculating IDC: Front-in method

Front-In

Step 1

Step 2

Step 3

Step 4

## Step 1: Identify Direct Costs and determine IDC eligibility

Budget Category	Amount	Eligible for IDC
Salaries	200,000.00	Yes
Benefits	60,000.00	Yes
Travel	50,000.00	Yes
Supplies & Materials	57,187.50	Yes
Capital Outlay	30,000.00	No
<b>Total Direct Costs (TDC)</b>	<b>397,187.50</b>	

# Calculating IDC: Front-in method

Front-In

Step 1

Step 2

Step 3

Step 4

Step 2: Calculate IDC Base by subtracting IDC exempt costs from Total Direct Costs

Budget Category	Amount	Eligible for IDC
Salaries	200,000.00	Yes
Benefits	60,000.00	Yes
Travel	50,000.00	Yes
Supplies & Materials	57,187.50	Yes
Capital Outlay	30,000.00	No
Total Direct Costs (TDC)	397,187.50	
Less: Capital Outlay	30,000.00	
<b>IDC Base (MTDC)</b>	<b>367,187.50</b>	

# Calculating IDC: Front-in method

Front-In

Step 1

Step 2

Step 3

Step 4

## Step 3: Calculate IDC by multiplying IDC Base by IDC Rate

Budget Category	Amount	Eligible for IDC
Salaries	200,000.00	Yes
Benefits	60,000.00	Yes
Travel	50,000.00	Yes
Supplies & Materials	57,187.50	Yes
Capital Outlay	30,000.00	No
Total Direct Costs (TDC)	397,187.50	
Less: Capital Outlay	30,000.00	
IDC Base (MTDC)	367,187.50	
Times: IDC Rate	.28	
<b>IDC</b>	<b>102,812.50</b>	

# Calculating IDC: Front-in method

Front-In

Step 1

Step 2

Step 3

Step 4

## Step 4: Complete Final Budget

<b>Budget Category</b>	<b>Amount</b>
Salaries	200,000.00
Benefits	60,000.00
Travel	50,000.00
Supplies & Materials	57,187.50
Capital Outlay	30,000.00
IDC (28% MTDC)	102,812.50
<b>Total Award</b>	<b>500,000.00</b>

# Calculating IDC

Step 1

Step 2

Step 3

Step 4

Step 5

## Back-in method

If the total award amount is known, use the following formula to calculate IDC:

$$\frac{\text{Total Award} - \text{IDC Exempt Costs}}{[1 + \text{IDC rate}] \times \text{IDC rate}} = \text{IDC}$$

# Calculating IDC: Back-in method

Step 1

Step 2

Step 3

Step 4

Step 5

## Step 1: Identify known Direct Costs and determine IDC eligibility

Budget Category	Amount	Eligible for IDC
Salaries	200,000.00	Yes
Benefits	50,000.00	Yes
Supplies	6,000.00	Yes
Workshop Space Rental	12,000.00	No
Capital Outlay	10,000.00	No
Other (printing, postage, M&R, misc. exp.)	?	Yes
IDC	?	
Total Award	500,000.00	

# Calculating IDC: Back-in method

Step 1

Step 2

Step 3

Step 4

Step 5

Step 2: Calculate Total IDC Base Plus IDC by subtracting IDC exempt costs from Total

Budget Category	Amount	Eligible for IDC
Salaries	200,000.00	Yes
Benefits	50,000.00	Yes
Supplies	6,000.00	Yes
Workshop Space Rental	12,000.00	No
Capital Outlay	10,000.00	No
Other (printing, postage, M&R, misc. exp.)		Yes
IDC		
Total Award	500,000.00	
Less Workshop Space Rental	12,000.00	
Less Capital Outlay	10,000.00	
<b>Total IDC Base Plus IDC</b>	<b>478,000.00</b>	

# Calculating IDC: Back-in method

Step 1

Step 2

Step 3

Step 4

Step 5

Step 3: Calculate IDC Base by dividing Total IDC Base Plus IDC by [1 + IDC Rate]

Budget Category	Amount	Eligible for IDC
Salaries	200,000.00	Yes
Benefits	50,000.00	Yes
Supplies	6,000.00	Yes
Workshop Space Rental	12,000.00	No
Capital Outlay	10,000.00	No
Other (printing, postage, M&R, misc. exp.)		Yes
IDC		
Total Award	500,000.00	
Less: Workshop Space Rental	12,000.00	
Less: Capital Outlay	10,000.00	
Total IDC Base Plus IDC	478,000.00	
Divide by: [1+IDC Rate of 0.28]	1.28	
<b>IDC Base</b>	<b>373,437.50</b>	



# Calculating IDC: Back-in method

Step 1

Step 2

Step 3

Step 4

Step 5

## Step 4: Calculate IDC by multiplying IDC Base by IDC Rate

Budget Category	Amount	Eligible for IDC
Salaries	200,000.00	Yes
Benefits	50,000.00	Yes
Supplies	6,000.00	Yes
Workshop Space Rental	12,000.00	No
Capital Outlay	10,000.00	No
Other (printing, postage, M&R, misc. exp.)	?	Yes
IDC	?	
Total Award	500,000.00	
Less: Workshop Space Rental	12,000.00	
Less: Capital Outlay	10,000.00	
Total IDC Base Plus IDC	478,000.00	
Divide by: [1 + IDC Rate]	1.28	
IDC Base	373,437.50	
Times: IDC Rate	.28	
<b>IDC</b>	<b>104,562.50</b>	

# Calculating IDC: Back-in method

Step 1

Step 2

Step 3

Step 4

Step 5

Step 5: Calculate budget available for Other by subtracting all other budget items from total award. Complete Final Budget.

Budget Category	Amount
Salaries	200,000.00
Benefits	50,000.00
Supplies	6,000.00
Workshop Space Rental	12,000.00
Capital Outlay	10,000.00
Other (printing, postage, M&R, misc. exp.)	117,437.50
IDC (28% MTDC)	104,562.50
Total Award	500,000.00