

# Division of Early Childhood Indirect Cost Policy

Pursuant to the requirements set forth for pass-through entities (PTEs) in the U. S. Code of Federal Regulations [§200.332\(a\)\(4\)](#), MSDE has adopted the following policy regarding its application of the indirect cost rates applied to sub awards as follows:

For sub awards issued to Local Education Agencies (LEAs), the approved rates issued by MSDE's Local Reporting Office should be applied.

For all non-LEA sub awards supported by:

## **Federal funds, MSDE will:**

- Accept the sub recipients' federally-negotiated, approved indirect cost rates. However, MSDE will cap sub grant rates at its own negotiated federal unrestricted indirect cost rate as approved by the U.S. Department of Education (USDE). This allows us to sensibly structure grants so that our partners are funded for the cost of efficiently delivering results.
- Apply the 10% Federal de Minimis rate indefinitely ([see 200.414](#)):
  - when no federally-negotiated, approved rates (including provisional) exist, or
  - when sub recipients opt to use the 10% de Minimis rate. No documentation is required to justify the use of the 10% de Minimis indirect cost rate. As described in [§200.403](#), costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both. If chosen, this methodology once elected must be used consistently for all Federal awards until such time as a non-Federal entity chooses to negotiate for a rate, which the non-Federal entity may apply to do at any time.

MSDE's approved unrestricted rate through 6/30/2021 is 16.3% and will remain in effect until either a provisional or final rate is approved for use through 6/30/2021. In the event that the FY2022 rate granted by the USDE is determined to be higher than the FY2021 rate of 16.3%, the sub recipients' rates can be adjusted to the higher rate cap upon request

**Non-Federal funds**, MSDE will apply an indirect cost rate not higher than ten percent.