



March 2, 2023

TO: BAC

CC: BAR, IC, WSSSC

FROM: Choi Halladay, Deputy Executive Director for Business Operations

SUBJECT: Indirect Rates for Department of Education Pass-through Grants

Based on feedback from Federal Agencies during both formal and informal reviews of SBCTC practices, SBCTC is modifying the allowable indirect rates for Federal Department of Education grants for which SBCTC is the grantee and colleges are subgrantees. These are commonly called “pass-through grants.”

Historically, SBCTC has allowed an administrative rate of no more than 5% of awarded funds for subgrantees to recoup some or all of their administrative costs. **This is staying the same.**

The change is regarding the separate, additional allowance for indirect expenses that was capped at 5% of salaries and wages for the grant. We are stopping that practice for all Fiscal Year 2024 subawards.

For Fiscal Year 2024, subgrantees will have a choice of either of two indirect rates depending on the college’s specific circumstance and needs. The choices are:

- The default federally published rate in EDGAR, which is currently 8% of Modified Total Direct Cost (MTDC); or
- The college’s individually negotiated restricted rate with the appropriate federal agency.

Some examples of these types of grants are the Federal Basic Education for Adults (BEA) and the Perkins Grant.

Please bear in mind that the negotiated restricted rate referenced in the second bullet is not the same as the standard indirect rates that many colleges have already negotiated with the federal government.

These new rates are specifically for Department of Education pass-through grants. However, there may be similar changes coming in the future for other pass-through grants as the Federal Government provides additional guidance to us.

A more detailed document with information about what is included and excluded from the MTDC base will be separately distributed.