



STATE OF NEW YORK
EXECUTIVE DEPARTMENT
DIVISION OF THE BUDGET
STATE CAPITOL
ALBANY, NEW YORK 12224
WWW.STATE.NY.US/DOB

RUDY F. RUNKO
DIRECTOR OF THE BUDGET

BUDGET BULLETIN	B-1141	December 15, 1993
------------------------	---------------	--------------------------

To: ALL DEPARTMENT AND AGENCY HEADS

From: Rudy F. Runko

Subject: Federal Indirect Cost Recoveries

1. Purpose and Scope

The purpose of this Budget Bulletin is to notify agencies that effective April 1, 1994 there will be a revised Statewide Federal indirect cost recovery process. **This in an administrative procedure to centralize the recovery process to the General Fund and should not interfere with the way an agency currently "recovers" indirect costs from the Federal Government.** Specifically, agencies with personal service costs chargeable to Federal funds will be directly billed quarterly by the Comptroller's Office, consistent with the non-Federal indirect cost recovery process, for their share of the Central Service Agencies indirect costs. (See below for a list of the central service agencies).

In addition, this bulletin outlines the procedures to be followed in applying for waivers of Federal indirect cost recoveries for fiscal year 1994-95 if necessary.

2. Background

Currently, the State prepares a Statewide Cost Allocation Plan (SCAP). The SCAP allocates the General Fund costs incurred by the ten central support services agencies (CSSAs). The ten CSSAs consist of: the Office of General Services, the Office of the State Comptroller, the Division of the Budget, the Department of Civil Service, the Office of Employee Relations, the Department of Law, the State Ethics Commission, the Office of Minority and Women Owned Businesses, State Treasury, and the Office of the Inspector General.

Annually, as part of the SCAP, these costs are allocated to the remaining agencies based on a methodology that is accepted and approved by the Federal Government. Therefore, all costs allocated to an agency through SCAP are allowable for Federal reimbursement.

3. **New Procedure**

Effective April 1, 1994 each agency will have its own Statewide Federal indirect costs rate charge (Contact your budget examiner for your agency's Federal indirect cost rate). The resultant rate is to be assessed against all personal service charges in a Federal fund.

These costs will have to be supported from the agency's 1994- 95 Federal funds budget appropriation unless a waiver is approved (see below). Your budget examiner has been instructed to include the applicable Federal indirect cost rate in all applicable Federal program budgets for fiscal year 1994-95. The Federal indirect cost rate has been calculated by dividing the agency's SCAP allocation by its allowable personal service base.

These indirect cost rate bills will be sent to agencies on a quarterly basis consistent with the billing process used for fringe benefit and non-federal indirect cost charges.

As previously indicated, it is important to remember that this is purely an administrative procedure to centralize the Federal indirect cost recovery process to the General Fund. These rates were not incorporated into our annual Fringe Benefit and Statewide Cost Allocation submission process and thus have not been formally reviewed by the Federal Government. Therefore, this Federal indirect rate should not be used for Federal reimbursement purposes and should not interfere with the way an agency currently recovers indirect Costs from the Federal Government. **In summary, you should continue to bill the Federal Government for statewide indirect costs consistent with the existing Federal requirements for your programs.**

4. **Waiver Process**

Currently, most agencies already deposit Federal indirect cost recoveries in the General Fund as a miscellaneous receipt. However, for those limited agencies or programs which cannot comply with the revised process for providing Federal indirect cost recoveries to the General Fund, they will be required to submit a waiver application form to the Division of the Budget. (A sample waiver request form is attached.)

The waiver process is established to ensure we understand the reasons for this non-payment (e.g., the Federal program does not allow recovery of statewide indirect costs) and to avoid any unwarranted programmatic impact from this billing process.

Decisions on waiver requests will be issued as part of the Executive budget process. Waivers will have a duration of no more than one year and will require annual reauthorization.

5. Agency Indirect Cost Recovery Procedure

In addition to billing Federal programs for the cost of Statewide indirect costs, agencies should also strive to maximize recoveries of their own internal indirect costs for administering Federal programs. Specifically, general agency administrative costs (business administration, budgeting, personnel administration and other supporting functions) should be allocated to the Federal programs, claimed and recovered to the degree permissible under the applicable grant provisions and overall program requirements.

For further information regarding this Budget Bulletin, please contact your budget examiner.

Attachment

FEDERAL INDIRECT COST WAIVER FORM

AGENCY: _____ FUND: _____

ACCOUNT (SUBFUND): _____ PROGRAM: _____

PERSONAL SERVICE AMOUNT PROPOSED TO BE WAIVED: \$ _____

JUSTIFICATION : (Please provide detailed support to specify why a waiver is requested for 1994-95. For example, indicate the section of law that prohibits indirect cost recoveries.)

STRATEGY TO ELIMINATE WAIVER: (Please specify what short and long term actions the agency will take to eliminate the need for a waiver. Please indicate the estimated time-frame in which the waiver will be eliminated.)

AGENCY CONTACT PERSON: _____ PHONE # _____

NOTE: Completed forms must be submitted to DoB Immediately