

ARPA Grant Indirect Costs

In accordance with federal regulations implemented through 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, all Notice of Grant Awards must reflect a subgrantee's federal indirect cost rate.

An indirect cost is an organization's incurred cost that cannot be readily isolated or identified with just one project or activity. These types of costs are often referred to as “**overhead costs.**” Typical examples are general telephone service, utilities, Internet, postage, general office supplies, office space expenses, and administrative or financial operations for an entire organization.

Colorado libraries have several options from which to choose:

- Not charge indirect costs to the grant;
- Use a rate not to exceed your current indirect cost rate already negotiated with a federal agency (documentation must be provided);
- Use an indirect cost rate proposed to a federal agency but not yet approved; or
- Use the minimum (de minimis) rate of 10% of subrecipient's direct costs.

The following Indirect Cost FAQ was prepared by the Institute of Museum and Library Services (IMLS) and provides further details.

Indirect Costs/ FAQ

What is a federally negotiated indirect cost rate, and how do I use one?

Federally negotiated indirect cost rates are negotiated agreements between federal agencies and non-profit organizations. If your organization already has an existing negotiated indirect cost rate in effect with another federal agency, you may use this rate to calculate total project costs, as long as you apply the rate in accordance with the terms of the negotiated agreement and include a copy of the current negotiated agreement with your grant application. We will only accept federally negotiated indirect cost rates that are current at the time awards are announced.

How do I use the 10% indirect cost rate?

Except for those non-Federal entities described in Appendix VII to 2 CFR Part 200 (States and Local Government and Indian Tribe Indirect Cost Proposals, paragraph (d)(1)(B)), you may choose to charge a de Minimis rate of 10% of modified total direct costs (MTDC) if you have never had a federally negotiated indirect cost rate. MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and sub awards and subcontracts up to the first \$25,000 of

each sub award or subcontract. MTDC excludes equipment, capital expenditures, rental costs, tuition remission, scholarships and fellowships, participant support costs, and the portion of each sub award and subcontract in excess of \$25,000. If you choose to use this rate, you must be careful to exclude from the budget all indirect-cost-type items, such as general telephone service, postage, office supplies and office space expenses, and administrative or financial operations for the applicant's entire organization.

As long as you are an eligible entity and have never had a federally negotiated indirect cost rate, you may use this rate with no additional documentation required.

What if my organization is currently in indirect cost rate negotiations with a federal agency, or my organization's current indirect cost rate will change or expire before grants are awarded in this IMLS program?

If your organization is in the process of negotiating an indirect cost rate with another federal agency, you may use the indirect cost rate that was proposed to the federal agency to estimate total project costs. You must include with your grant application a copy of the indirect cost proposal. In such situations, if we award a grant, we will accept the rate only if the negotiations are final by the award date and a copy of the final agreement is submitted to us. It is possible that we may reduce the amount of the award if the final negotiated rate is less than the rate that was used for budget estimates in the application budget. However, we will not increase the amount of the award if the final negotiated indirect cost rate is higher than the rate that was used for budget estimates in the application budget.

Are there any other project costs that cannot be included in my indirect cost calculations?

You should follow your federally negotiated indirect cost rate document. If you are eligible for and using the 10% de Minimis rate, you may charge 10% of the modified total direct costs (MTDC) (please see above question on this 10% rate as well as 2 CFR sections 200.414(f) and 200.68).