



Indirect Costs

Indirect costs are the costs of an organization that are not readily assignable to particular project costs, but are necessary to the operation of the organization and the performance of the project. The cost of operating and maintaining facilities, depreciation, and administrative salaries are examples of the types of cost that are usually treated as indirect costs. For organizations that have an established federally approved indirect cost rate for Federal awards, indirect costs mean those costs that are included in the organizations' established indirect cost rate. Such costs are generally identified with the organization's overall operation and are further described in the Office of Management and Budget, Circular 2 CFR 200.

MBCC will authorize indirect costs on this grant program provided that applicants will utilize one of the following methods:

- Federally Approved Indirect Cost Rate: Applicants who have an established Federally Approved Indirect Cost rate agreement in place may include the allocation for indirect costs. Applicants **MUST** provide a copy of the agency's Federal Agreement. MBCC may negotiate the Federally Approved Indirect Cost rate if it is higher than the limit established in MBCC Board Policy and/or the grant's federal allowable limits, whichever is lower.
- Negotiated Indirect Cost Rate: For those agencies who have a pending application for a Federally Approved Indirect Cost rate, the subgrantee may negotiate an indirect cost rate with MBCC, limited to Board Policy and/or the grant's federal allowable limits, whichever is lower. See MBCC Board Policy on Indirect Costs below. Applicants must submit a copy of the application for the Federally Approved Indirect Cost rate with their application.
- De Minimis Rate: Any non-Federal entity that has never received a negotiated indirect cost rate may elect to charge a 10% De Minimis rate of Modified Total Direct Costs (MTDC) which may be used indefinitely.
 - MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.
 - Costs must be consistently charged as either indirect or direct costs (only on allowable grant activities), but may not be double charged or inconsistently charged as both.

- 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.
 - The rate can be applied to the first \$25,000 of the subaward (contract/consultant).
 - The amount used for the De Minimis must be clearly stated and the grant application must list the budget items used to determine the De Minimis Rate.
- No Indirect Cost Rate: Applicants may choose not to include indirect costs in the budget request.

The amount listed in your calculations MUST match the Budget Detail and Budget Narrative.

Example for Calculating 10% De Minimis Rate for Indirect Costs

Costs must be consistently charged as indirect or direct (only on allowable grant activities).
(Italicized items indicate amounts that may be used for indirect costs in this example only.)

Direct Costs:

Budget Category	Amount Requested	Comments
Personnel	\$244,000	\$200,000 Advocate Salaries \$44,000 Advocate Fringe Benefits
Consultants/Contracts	\$132,000	<i>Consultant A – receives \$57,000</i> <i>Consultant B – receives \$30,000</i> <i>Consultant C – receives \$45,000</i>
Travel	\$10,000	Training and Outreach
Supplies/Operating	\$4,000	Office Supplies
Equipment	\$0	
Other	\$0	
Total Direct Costs	\$390,000	

Modified Total Direct Costs (MTDC):

<i>Subtract the amounts over \$25,000 for each consultant (these are the three Consultants/Contracts listed above)</i>	$\$390,000 - \$57,000 = \$333,000$	A. $\$57,000 - \$25,000 = \$32,000$ B. $\$30,000 - \$25,000 = \$5,000$ C. $\$45,000 - \$25,000 = \$20,000$ <i>Total = \$57,000</i>
<i>10% of \$333,000</i>	$\$33,300$	<i>Modified Indirect Cost Rate</i>
Requested Direct Amount	\$390,000	
Requested Indirect Amount	\$33,300	
Total Federal Request	\$423,300	