

Guidance for developing grant budgets and requesting indirect costs.

Project costs may be identified as either direct or indirect costs. Please see 2 CFR § 200.412 Classification of costs for additional information: <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E/subject-group-ECFRd93f2a98b1f6455>

Direct costs are those costs that can be directly assigned to project activities relatively easily with a high degree of accuracy. This often includes salaries and associated fringe, supplies, and travel costs that are clearly and directly attributable to a specific grant.

Classification of indirect costs are dictated by an organization's accounting or financial policies. Appendix IV to 2 CFR 200 defines indirect costs as "those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective." As described in 2 CFR [§ 200.403](#), such costs must be consistently charged as either indirect or direct costs. They may not be double charged (i.e., charged as both direct and indirect costs) or inconsistently charged.

When developing grant budgets, Outreach and Technical Assistance grant recipients have three options as it relates to indirect costs:

1. Budget includes **100% direct costs**. The grantee does not apply an indirect cost rate and all associated costs are directly charged to the grant. For example, grantees may directly charge administrative or clerical services if all of the following conditions are met:
 - Administrative or clerical services are integral to the project or activity
 - The individuals involved can be specifically identified with the project or activity
 - Such costs are explicitly included in the budget
 - The costs are not also recovered as indirect costs
2. Grantee applies the **10% de minimis indirect rate** to total modified direct costs. Grantees shall submit the approved financial or accounting policies that describe their cost allocation process to ensure that costs are not double charged or inconsistently charged. NACD may review these to ensure compliance with 2 CFR [§ 200.403](#).

At minimum, grantees' policies should ensure that the following criteria can be met:

- Accounting records adequately identify the receipt of funds under each grant awarded and the expenditures of funds for each grant.
 - The accounting system includes adequate internal controls to preclude incurring obligations in excess of total funds available for a budget cost category (e.g. Personnel, Travel etc.)
3. Grantee applies the rate(s) established in their **approved Negotiated Indirect Cost Rate Agreement (NICRA)** to total modified direct costs. Grantees shall submit their approved NICRA to NACD for review.

Note: Total modified direct costs includes all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward. 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.