

## Affordable Connectivity Outreach Grant Program Indirect Cost Frequently Asked Questions

### 1. What is an indirect cost?

Per 2 CFR 200.414, indirect costs are those that are incurred for common or joint purposes and cannot be readily identified with a particular final cost objective.

If a grantee requests Management and Administrative (M&A) costs and indirect costs as part of their award, none of these costs may be duplicative of one another.

### 2. Are indirect costs allowable under FCC grant programs?

Yes. Indirect costs are allowable, but only if the recipient has an approved negotiated indirect cost rate agreement (NICRA) with its cognizant federal agency. A copy of the NICRA is required at the time of application for all FCC grants. If an award is made that includes indirect costs, the grantee must ensure their NICRA supports the amount awarded for indirect costs and extends through their period of performance or submit for FCC approval a newly negotiated NICRA.

Recipients that have never had a federally negotiated indirect cost rate may alternatively elect to request the 10% de minimis rate as described in 2 CFR 200.414(f).

### 3. What is an indirect cost rate?

The indirect cost rate is a device for determining the proportion of indirect costs each program award should bear. It is the ratio (expressed as a percentage) of the indirect costs to a modified total direct cost base.

### 4. To what can the indirect cost rate be applied?

The indirect cost rate can only be applied to items specifically outlined in the NICRA as part of the “base” – not the entire award. Each agreement has a unique definition of the “base.” A cost may not be allocated to an award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, is assigned as a direct cost.

### 5. When can the indirect cost rate be applied?

The rate can only be applied to the base within the dates listed in the NICRA. Indirect costs cannot be incurred if the agreement has expired. All agreements are void at the end of their effective period unless the agreement is documented as valid “until amended.”

### 6. How does a recipient obtain an indirect cost rate?

Recipients must have a current NICRA to charge indirect costs above the 10% de minimis rate to an award. To secure a rate, the recipient prepares an indirect cost rate proposal and submits it to the cognizant federal agency for negotiation and approval.

Recipients that previously established an indirect cost rate submit a new indirect cost proposal to the cognizant federal agency. FCC is not involved in indirect cost rate negotiations or approvals.

**7. What is a “de minimis” rate?**

Organizations that receive funds directly from the federal government and that have never received a federally negotiated indirect cost rate may choose to use the 10% de minimis indirect cost rate indefinitely, without having to go through the process of negotiating a rate. Please refer to 2 CFR § 200.414(f) for more information.

**8. How is the “de minimis” rate calculated?**

Any non-federal entity that does not have a current negotiated (including provisional) rate, may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely.

Per 2 CFR § 200.68, MTDC is defined as 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. For Affordable Connectivity Outreach Grants, MTDC does not include Management and Administrative (M&A) costs.

**9. What is a cognizant agency? What is the cognizant agency for FCC recipients?**

The cognizant federal agency is the federal agency that provides the most federal funding subject to indirect cost requirements or an agency otherwise designated. The Department of Health and Human Services (HHS) is generally the cognizant agency for all States and most territories and cities. The cognizant agency for non-profit organizations is determined by calculating which federal agency provides the most grant funding. The Department of the Interior is usually the cognizant agency for all Indian tribal governments.

**10. What is the difference between indirect and management and administration (M&A) costs?**

M&A is the direct cost of managing and administering FCC grants. Indirect costs are the costs associated with management of a grant that are not directly attributable. For example, the salary of someone responsible for monitoring subrecipients’ compliance could be charged as a direct cost to the grant as M&A.

When requesting M&A as part of a grant, the recipient must clearly itemize the costs as they would for any other direct cost. Indirect cost requests do not need to be itemized and can be charged as a percentage per the approved NICRA.

**11. Can subrecipients charge indirect costs? Can subrecipients use the recipient’s indirect cost rate agreement?**

If they wish to charge indirect costs to the grant, subrecipients are required to negotiate their own indirect cost agreement with the appropriate cognizant agency. If a subrecipient has never had a federally negotiated indirect cost rate, they may claim the de minimis rate.